

SAN FRANCISCO PUBLIC LIBRARY



3 1223 11171 8848



5 / S

San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library



Digitized by the Internet Archive
in 2016 with funding from
San Francisco Public Library



NOTICE OF CANCELLED MEETING

NOTICE IS HEREBY GIVEN THAT THE

9/15 cancelled

**JUNE 9, 2015
REGULAR PORT COMMISSION MEETING
HAS BEEN CANCELLED**

A Special Port Commission Meeting is scheduled on:

TUESDAY, JUNE 23, 2015

2:00 P.M. – CLOSED SESSION

3:15 P.M. - OPEN SESSION

Port Commission Hearing Room

Second Floor, Ferry Building

San Francisco, CA 94111

**San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406**

GOVERNMENT
DOCUMENTS DEPT

MAY 28 2015

SAN FRANCISCO
PUBLIC LIBRARY

JUNE / JULY 2015

CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
June 9	CANCELLED		
June 23	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
SPECIAL MEETING	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
July 14	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

Full Commission meetings are replayed on San Francisco cable via SFGovTV2 and streamed on the Internet. Broadband service is recommended for access. The Port Commission is generally broadcast on SFGovTV2, cable channel 78 on the 2nd & 4th Thursday of the month at 9 p.m. SFGovTV archives include a recording of each meeting, an agenda with links to the specific portion of the meeting, a file containing all closed captions for the deaf from the meeting and an MP3 recording of the meeting. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92.

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Disability Accommodations:

To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

Language Assistance

311 Free language assistance / 免費語言協助 / Ayuda gratuita con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / 무료 언어 지원 / ஸ்ரீ ஸ்ரீ ஸ்ரீ / Librang tulong para sa wikang Tagalog

NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Ruston by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Ruston or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

SPECIAL MEETING AGENDA

TUESDAY, JUNE 23, 2015
3:15 P.M. OPEN SESSION

06-19-15P05:43 RCYD

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – May 26, 2015
3. PLEDGE OF ALLEGIANCE
4. ANNOUNCEMENTS

GOVERNMENT
DOCUMENTS DEPT

JUN 19 2015

SAN FRANCISCO
PUBLIC LIBRARY

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

6. EXECUTIVE

A. Executive Director's Report

- Free Symphony in the Park at Cruise Terminal Plaza at Pier 27 – July 12, 2015 at 12 noon
- Cancellation of Port Commission meeting – August 11, 2015
- Bayview Rise - Selected by the Public Art Network as one of the best public art projects in the country
- Anniversary of the opening of the Embarcadero Roadway
- In Memoriam - LeRoy King, a longtime Bay Area labor leader, civil rights advocate and Former Commissioner of the San Francisco Redevelopment Agency
- In Memoriam – Port Tenant Michael Comaich, President of Diamond Freight Systems

B. Port Commissioners' Report:

- Presentation by Kenneth J. Petrilla, Executive Director of the California-China Office of Trade and Investment in Shanghai, on his office's efforts to promote and facilitate Chinese investment into California and to help California companies doing business in China
- Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

7. CONSENT

- A. Request approval of the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event, Filming and Public Art Rate Schedule. (Resolution No. 15-21)
- B. Request approval of the Operations Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies Aviation authority to operate its site at

San Francisco International Airport as a Foreign Trade Zone No. 3 usage-driven site for a term of five years with one option to extend for four years and outlining conditions for the operation of the site. (Resolution No. 15-22)

8. PLANNING & DEVELOPMENT

- A. Request a fee waiver for a revocable license that allows the Consulate General of Mexico to install a temporary public art installation at Harry Bridges Plaza on The Embarcadero at Market Street for three months. (Resolution No. 15-23)

9. MARITIME

- A. Request authorization to execute a Contract Modification to Construction Contract No. 2746, Maintenance Dredging 2011-2015 Project with Dutra Dredging Company, to increase the contract amount by \$1,200,000 to a Total Contract Amount of \$17,101,050. (Resolution No. 15-24)
- B. Status report on the James R. Herman Cruise Terminal and Pier 35 Activity for the period of September 2014 to June 2015.

10. NEW BUSINESS

11. ADJOURNMENT

Adjourn the meeting in memory of LeRoy King, a longtime Bay Area labor leader, civil rights advocate and former Commissioner of the San Francisco Redevelopment Agency and Port Tenant Michael Comaich, President of Diamond Freight Systems.

FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)

JULY 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Association of Bay Area Governments and the California Coastal Conservancy Bay Area Water Trail and the designation of Water Trail Landings
2	Pier 38	Action	Approval of a capital investment in infrastructure and public access for the Pier 38 project in an amount not less than \$2,500,000
3	Portwide	Action	Review of revenue performance in Fiscal Year 2014-15 and approval to include additional capital projects in the previously approved supplemental appropriation to the Fiscal Year 2015-16 Capital Budget
4	Portwide	Action	Approval of the Operations Agreement with Chevron U.S.A. Inc. ("Chevron") granting Chevron renewed authority to operate its refinery site in Richmond, California as a Foreign Trade Zone No. 3 subzone site for a term of five years, with three options to extend for five years each and outlining conditions for the operation of the subzone site

AUGUST 11, 2015 – CANCELLED

SEPTEMBER 8, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
2	Portwide	Informational	Update of Port Maritime Preservation Policy
3	Seawall Lots 321, 322-1, 323/324, and Piers 19½, 29½ and 33	Informational	Presentation on the results of the Request for Proposals for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim

			parking in Pier 33
4	Bayview Gateway	Action	Approval to select an artist as recommended by the San Francisco Arts Commission through the Art Enrichment program and approve Memorandum of Understanding between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation
5	SWL 323 and 324	Action	Authorization to Enter into Exclusive Negotiation Agreement with Teatro ZinZanni and its financial partner, Kenwood Investments No. 6, LLC, operating together as TZK Broadway, LLC, for the lease and development of Seawall Lots 323 and 324 and portions of the adjacent Vallejo and Davis Streets right-of-ways with a dinner-theater and a maximum 200-room, 40-foot high boutique hotel and approximately 7,500 square feet of privately financed public park and ancillary uses on the west side of The Embarcadero at Vallejo Street
6	Portwide	Action	Authorization to add revised Rules and Regulations for South Beach Harbor into Tariff No. 5
7	Pier 80	Action	Approval of two year Marine Terminal Agreement at Pier 80

SEPTEMBER 22, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Seawall/Earthquake Vulnerability Study Update
2	Portwide	Informational	Accept Port of San Francisco's Report on Contracting Activity for Fiscal Year 2014-15 (July 1, 2014 through June 30, 2015)
3	Seawall Lots 321, 322-1, 323/324, and Piers 19½, 29½, and 33	Action	Authorization to negotiate lease for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33
4	Portwide	Action	Authorization to advertise for Competitive Bids for the Five Year Maintenance Dredging Project
5	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

	FACILITY/POLICY	ITEM	TITLE
1	Seawall Lots 321, 322-1, 323/324, and Piers 19½, 29½ and 33	Action	Approval of lease for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
2	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
3	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
4	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
5	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
6	SWL 322-I	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-I

JULY / AUGUST 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
July 14	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
August 11 CANCELLED	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

Full Commission meetings are replayed on San Francisco cable via SFGovTV2 and streamed on the Internet. Broadband service is recommended for access. The Port Commission is generally broadcast on SFGovTV2, cable channel 78 on the 2nd & 4th Thursday of the month at 9 p.m. SFGovTV archives include a recording of each meeting, an agenda with links to the specific portion of the meeting, a file containing all closed captions for the deaf from the meeting and an MP3 recording of the meeting. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92.

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck, adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Disability Accommodations:

To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfpport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfpport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

Language Assistance

311 Free language assistance / 免費語言協助 / Ayuda gratuita con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / 무료 언어 지원 / ၁၇၁၁ ၊ "၁၇၁၁" ၊ / Libreng tulung para sa wikang Tagalog

NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at solf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:



The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



GOVERNMENT
DOCUMENTS DEPT

JUN 19 2015

SAN FRANCISCO
PUBLIC LIBRARY

MEMORANDUM

June 18, 2015

06-19-15P05:43 RCVD

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Susan Reynolds
Deputy Director of Real Estate

SUBJECT: Request approval of the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, Special Event, Filming and Public Art Rate Schedule.

DIRECTOR'S RECOMMENDATION: Approve Resolution

This item was presented as an informational item at the May 26, 2015 Port Commission meeting and is now before the Port Commission for approval.

Material updates to the May 21, 2015 staff memorandum are presented herein as double underlined text. A new authorizing Resolution also has been included. Specifically, this staff memorandum further describes the proposed terms of the Public Art Fee Waiver as requested by President Leslie Katz.

Executive Summary

Port staff is seeking Port Commission approval of the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates. Port staff also proposes inclusion of a delegation to the Executive Director to waive rental rates for Public Art displays meeting certain criteria at Pier 14 (the "Rental Rate Schedule").

Pursuant to statute, the Port is required to charge market rates for its properties, deposit such revenues into the Harbor Fund and use such funds to operate and maintain the Port as a self-supported entity. To set rates, Port staff surveys a variety of real estate data to ascertain equivalent market rates for its properties. Such rates are compiled into the proposed Rental Rate Schedule (see Exhibits A and C hereto) for the Port Commission's and public's review and discussion. If approved by the Commission, the Rental Rate Schedule for Fiscal Year 2015-16 will take effect on July 1, 2015.

THIS PRINT COVERS CALENDAR ITEM NO. 7A

As discussed more fully herein, the overall San Francisco and regional commercial real estate markets are enjoying low vacancy rates and high rental rates in all sectors. Similarly, Port property enjoys a low vacancy rate and a very low turnover rate. A total of 61 property locations are listed on the Rental Rate Schedule (Exhibit A). Port staff proposes to raise rates at 48 locations (79%). Port staff proposes holding rates unchanged at the remaining 13 properties due to their challenged physical condition such as at Pier 54 or 501 Cesar Chavez. Port staff does not propose to reduce rates at any properties. Likewise, Port staff proposes raising rates for resale parking, certain Special Events and filming.

Background

The Port Commission periodically reviews and sets rental rates for its commercial leasing properties. These rates are known as the Port's Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule and Special Event and Filming Rate Schedule (together, the "Rental Rate Schedule").

Separately, starting in 1993, the Port Commission delegated authority to the Executive Director to approve and execute (i) leases, (ii) licenses and (iii) Memoranda of Understanding ("leases") provided that the terms of these agreements conform to certain minimum parameter terms of the Port's leasing policies. These parameter terms include a schedule of minimum rental rates for leases, aka the Rental Rate Schedule, that are delegated to the Executive Director for execution without Port Commission approval. This year staff proposes to add a delegation to the Executive Director to waive standard license fees for Public Art uses at Pier 14 as described herein.

Typically, the Port Commission reviews rates on an annual basis, and enacts a new Rental Rate Schedule which most often includes increases to rental rates for some properties, decreases to rental rates for other properties and unchanged rates for some properties. The Port Commission's review is based on recommendations from Port staff following staff's research of current market conditions (see "Rate Setting Methodology" below). At the request of the Port Commission, Port staff first presents the proposed new Rental Rate Schedule as an informational item to allow the Port Commission and the public the opportunity to review the proposal, make inquiries and request amendments if needed. Thereafter, Port staff present a final Rental Rate Schedule, with an effective date, for Port Commission approval.

The Port's current Rental Rate Schedule for Fiscal Year 2014-15 was adopted by the Port Commission on June 10, 2014 and became effective as of July 1, 2014. It will remain in effect until the Port Commission adopts a successor Rental Rate Schedule with a new effective date.

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage and steward the Port's diverse real estate assets. Embedded in the Port's management of its portfolio is its obligation to charge market rates for its property. Generally, the leases, licenses and Memoranda of Understanding that Port staff executes under this delegation include agreements for use of existing structures, facilities and land involving negligible or

no expansion or change of use. A synopsis of Port Leasing Policies providing for delegated authority to staff is contained in Exhibit H hereto.

San Francisco Market Summary

As is well-documented, the San Francisco commercial real estate market has continued to rise in tandem with a continued reduction of San Francisco's unemployment to 3.6%, down from 5.2% in January 2014¹. Property management company, Cushman & Wakefield notes that "68.5% of the private sector jobs created over the past 12 months have been within the traditional office division" as compared to 27% nationwide. According to real estate services firm, CBRE "net absorption² for the year was 636,000 sq. ft., driven by a number of sizable deals, including five over 100,000 sq. ft." All major real estate companies cite technology companies as the impetus behind San Francisco's positive net absorption rates. Colliers International notes that "this marks the 19th consecutive quarter [almost 5 years] of positive net absorption, a streak that places the city among the healthiest office markets in the world."

In surveying available market research, Port staff found varying reports of office vacancy rates as of First Quarter 2015 (1Q 2105). Experts place the vacancy rates in a range from to 5.5% to 9.9%. Colliers International notes that "the vacancy rate has been below the 10 percent 'tipping point' for over two years" and that the Civic Center area experienced the largest recent decline in vacancy. All real estate companies surveyed by Port staff predict the strong office market to continue with very low new vacancies compounded by the potential of San Francisco to hit its Proposition M³ office cap in the coming year. The Port's current office vacancy rate is 3.9% compared to a citywide average of approximately 6.8%.

As a result of improving vacancy rates, office rents in San Francisco continued steady inside and outside of the Central Business District (aka Financial District). Much like vacancy reports, Port staff found varying reports on the amount of change in market rate rents for all three classes of office space (Class A, Class B, and Class C). Several firms noted a minor decrease in Class A office rents, coupled with an extremely strong increase in Class B rents, largely driven by the new leasing in the Civic Center area.

While much of the attention has been on San Francisco's office space, those real estate firms that follow the industrial sector noted a continued tightening in this market as well. In particular, DTZ (a commercial real estate services firm) noted that vacancy for Bay Area industrial properties was 3.8% and that such vacancy "has fallen eleven consecutive quarters." DTZ further notes that there is only "11.9 million square feet of available space (of an inventory of 314.2 MSF) in the region and the average age of that space is 35 years old. In other words, there is virtually no available modern space left." Cushman & Wakefield also noted a decline in vacancy of industrial space and a corresponding increase in asking rates fueled both by technology companies and a lack of new construction.

¹ Federal Reserve Bank, May 2015 Report

² Defined as the difference between the amount occupied at the end of 2013 and the amount occupied at the end of 2014

³ Passed November 1986, sets an annual limit on citywide office development and governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an "office space allocation" from the Planning Commission.

Most of the Port's industrial space is either warehouse shed space or land. With respect to the Bay Area warehouse market, DTZ reports a vacancy rate of 4.2%, representing the lowest warehouse vacancy since Fall 2007. The Port's industrial/warehouse vacancy is 9.4% as discussed further below. DTZ also notes a significant amount of new space that has been built in 2014 and 2015 but that has been rapidly occupied. As such, neither DTZ nor Cushman & Wakefield forecast a rise in warehouse vacancy rates in the next 12 months. Both firms noted that the average Bay Area asking rate for warehouse space rose to approximately \$0.64 per square foot, breaking through its previous 2007 high of \$0.60.

Unfortunately, most industrial/warehouse property analyzed by commercial real estate firms and attributable to San Francisco is actually housed on the San Francisco peninsula and outside the city limits making it difficult to find good comparables for Port property. Further exacerbating this trend, most such space is significantly newer (although not new), larger and more conveniently located than equivalent Port space. However, DTZ noted that warehouse vacancy in San Francisco County is 2.7% and asking rates average \$1.10 per square foot.

Port's Rental Portfolio

The Port's portfolio area consists of 7½ miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the northeast to India Basin in the southwest. It includes more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursion, leasing, professional sports, bulk cargo, cruise ship calls and ship repair. The Real Estate Division manages approximately 588 commercial leases, which represent 320 commercial and industrial tenants including long-term ground leases at Fisherman's Wharf, 50 Francisco, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building and AT&T Park.

The Port's properties available for commercial leasing consist of approximately 13.9 million square feet, as described below. As such leases expire, are amended or renewed, they become subject to the current Rental Rate Schedule. Such properties consist of

Space Type	Amount in Square Feet	Notes
Office Space	315,105	Class B and Class C space located in 18 buildings. Includes office storage. No Class A space
Industrial Shed	1,834,864	Located on 16 piers and 6 seawall lots
Fishing Industry	25,000	Landside space for fish wholesaling, processing and gear storage at Piers 45 and 33
Open Land	980,100 unpaved 9,954,391 paved 871,200 improved 360,000 submerged 12,165,691 total	Generally refers to pier aprons and valley areas
Total	14,340,660 13,980,660 not submerged	

The Port manages a sizeable and diverse portfolio of assets. Assets managed by the Port's Real Estate Division generated approximately \$65.4 million in annualized revenue in Fiscal Year 2014-15. Rates for such properties are negotiated in a variety of manners. Parameter rental rents impact shed, office, and parking stall customers, or approximately 17% of total Real Estate Revenues, as shown in the following table:

Category	Annualized Revenue	Percentage of Total
Parameter Shed or Land	\$ 6,829,426	10%
Parameter Office	\$ 3,950,762	6%
Parameter Parking (Stalls)	\$ 597,431	1%
Sub-Total Parameter Revenues	\$ 11,377,619	17%
Parking Lots	\$ 11,332,088	17%
Ground Lease/ Development	\$ 12,681,338	19%
Non-Parameter Shed or Land	\$ 9,515,136	15%
Restaurant & retail	\$ 10,599,461	16%
Parking Meters	\$ 8,134,930	12%
Non-Parameter Office	\$ 1,479,824	2%
Film/Event/Other	\$ 297,319	0%
Sub-Total Non-Parameter Revenues	\$ 54,040,095	83%
Total Real Estate Revenues	\$ 65,417,714	100%

**Annualized Revenue is an estimate of the annual revenue by detailed category; dividing actual receipts by detailed category is not possible.*

Port Vacancy

The demand for space along the Port's waterfront is high. As noted above, the Port's current office vacancy rate is 3.9%. The Port's vacancy rate is lower than the citywide office vacancy rate of approximately 6.8%. The Port's industrial/warehouse vacancy is 9.4% largely driven by longer-than anticipated re-entitlement of Piers 19 and 23 following the America's Cup and Pier 29 following the final completion of the cruise terminal equipment building anticipated in June 2015.

Port Leasing Volume

In the period from April 1, 2014 to March 31, 2015, Port Real Estate staff executed 66 real property agreements pursuant to the Fiscal Year 2014-15 Rental Rate Schedule totaling \$440,582 per month or \$5,286,990 annualized.

Rate Setting Methodology

Port staff reviews numerous pieces of data to create a composite rate suited for each of the Port's unique assets. Generally the data used to inform the composite rate falls into one of the following categories:

1. **Commercial Data:** Port staff review available commercial data including comparable market rates of similarly situated properties to that of Port properties (see Exhibit D, Bibliography). With respect to office space, Port staff consulted market reports

published by five San Francisco real estate firms. With respect to industrial space, Port staff consulted market reports published by DMZ, formerly Cassidy Turley and Cushman and Wakefield. With respect to fish processing/gear storage space, Port staff consulted five separate fishing harbors. With respect to parking, Port staff surveyed various parking lots/garages in adjacent areas (see Exhibits F1 & F2, Parking). A summary of Port staff's findings is presented throughout this report.

2. *Port Leasing Activity:* Port staff review Port leasing activity for the prior 12 months (included as Exhibit I) and use this data to measure current market conditions (i.e., supply and demand) of the Port's unique space. Large vacancies would signal that rental rates are too high and low to no vacancy would signal that they are not high enough. Port staff also surveys several of our master tenants to determine what rates they have been setting for properties under their management such as the Ferry Building, Pier 1 and Piers 1½-3-5.
3. *Third party consultant review:* The Port again has contracted with Keyser Marston Associates (KMA), a third party consultant, to review the proposed Rental Rate Schedule for Fiscal Year 2015-16. KMA gave input to the proposed Schedule and submitted a report summarizing their work (see Exhibit G). In general, KMA concurred with Port staff's minimum office rent and minimum industrial/warehouse rent recommendations. However, they noted several factors put "downward pressure on the Port's rents" such as the Port assets' "more advanced age and less optimal physical condition" and the Port's "limited ability to fund up front tenant improvement costs." Additionally, KMA and Port staff had a thorough discussion of parking rates to determine whether the Port staff's parking rate recommendations were too aggressive. Ultimately, as noted in their report, KMA agreed with the Port's parking rate recommendations.

Port Office Space

The Port directly manages approximately 330,000 s.f. of Class B and Class C office space. While there is Class A office space within the Port's portfolio, it is managed by master tenants such as Equity Office Partners (Ferry Building), Prologis (Pier 1) and San Francisco Waterfront Properties (Piers 1½-3-5). The Port does not manage directly any Class A office space so none is subject to the Rental Rate Schedule.

Location is the key driver of office space value thus office leases are often defined by neighborhood when listed, rather than by building features. An office tower in San Francisco's Financial District will be prized for its superior access, prestigious corporate address, and proximity to neighborhood amenities like fine dining and business services. Similarly, the Port's key office space has water views and is close to Market Street and its amenities.

The majority of Port-managed office spaces primarily fall into the Class C category of office space with the exception of 7 properties that are considered Class B. The Port's directly managed office holdings are as follows:

<u>Building Class</u>	<u>Name of Building</u>	<u>Location</u>
Class A	None	
Class B	Roundhouse Plaza	2 Lombard Street
	Pier 9 Bulkhead Bldg.	@ Broadway
	Pier 9 Pier Offices	@ at Broadway
	Pier 26 Annex	@ Harrison Street
	Pier 33 ½ North	@ Montgomery Street
	Pier 33 Bulkhead Bldg.	@ Montgomery Street
	Pier 35 Bulkhead Bldg.	@ Bay Street
Class C	Agriculture Building	@ Mission Street
	401 Terry Francois	Terry Francois Blvd.
	Piers 23 Bulkhead Bldgs.	@ Sansome Street
	Pier 29 Annex Bldg.	@ Battery Street
	Pier 29 ½	@ Battery Street
	490 Jefferson St.	Jefferson St @Leavenworth
	Piers 26 Bulkhead Bldg.	@ Harrison Street
	Pier 28 Bulkhead Bldg.	@ Bryant Street
	Piers 50 Bulkhead Bldg.	Terry Francois Blvd.
	Pier 54 Office	Terry Francois Blvd.
	Pier 70, Building 11	Foot of 20 th Street
	671 Illinois Street	Illinois Street @ Mariposa
	501 Cesar Chavez	Foot of Cesar Chavez St
	601 Cesar Chavez	Cesar Chavez @ Illinois St
	696 Amador	Amador and Cargo Way
	Pier 96 Admin. Bldg.	Foot of Cargo Way
	Pier 96 Gate House Bldg.	Foot of Cargo Way

Class A • In general, the definition of Class A space refers to the best of the best. Class A office space is located in newer buildings with state-of-the-art infrastructure. On occasion it may be located in older buildings that have been extensively renovated such as Pier 1 and the Ferry Building. Class A buildings are located in prime locations, generally the San Francisco Central Business District (aka Financial District) with good access and are professionally managed.

Class B • The Port manages approximately 150,000 s.f. of Class B office space (7 locations). By industry definition, Class B spaces are often older and require renovation and improvements. These spaces are usually well-maintained and well-managed, but infrastructure may need some capital investment to keep them functional. The average rates throughout San Francisco for Class B full service leases range from \$3.50 to \$5.43 per square foot per month (\$41.95 to \$65.11 annualized). (*Source: Jones Lang LaSalle First Quarter 2015*). Port staff proposes to raise rates on all 7 of the Port's Class B properties. As noted on Exhibit A hereto, Port staff proposes rates ranging from \$3.00 to \$4.50 per square foot per month (\$36.00-\$54.00 psf annualized) for the Port's 7 Class B properties. Note that the Port leases are net leases rather than full service leases as discussed below. Cushman and Wakefield estimates that average expenses of a net lease

are \$11.60 per square foot which, when added to the Port's proposed rates, would equate to \$47.60-\$65.60 if the leases were full service.

Class C • The Port manages approximately 180,000 s.f. of Class C office space (17 locations). By industry definition, Class C spaces are older (usually 15-25 years), poorly located, and often in need of extensive renovation and updates to out-of-date infrastructure. They usually have lower rental rates to compensate for the lower quality office space. Class C spaces often are vacant longer than higher-classed spaces, and can be targeted for redevelopment opportunities. A fair number of the Class C office spaces in the Port's inventory are not truly office buildings but rather walk-up office spaces above retail or service businesses. San Francisco Class C office rents as of 1Q 2015 averaged \$4.25 per square foot per month (\$51.04 psf annualized). Note that the majority of the San Francisco Class C leases are full service leases. (*Source: Jones Lang LaSalle First Quarter 2015*). As noted on Exhibit A hereto, Port staff proposes rates from \$1.00 to \$3.75 per square foot per month (\$12.00-\$45.00 psf annualized) for the Port's 17 Class C properties. The lower range rates represent Port properties located in the Southern Waterfront further away from downtown and other amenities. Market comparables for Class C office leases in this sector of the City are difficult to find and are not well represented by the published rates surveyed by Port staff. Additionally, Port leases are net leases rather than full service leases as discussed below. Cushman and Wakefield estimates that average expenses of a net lease are \$11.60 per square foot which, when added to the Port's proposed rates, would equate to \$23.60-\$56.60 if the leases were full service.

As noted above, the commercially available data surveyed by Port staff is based on (1) "full service office leases"⁴ not net leases, like those of the Port and (2) represent market "asking rates"⁵ not the final contract rates, which are often lower. For the most part, the difference between a full service lease and a net lease is approximately \$1.00 per square foot per month based on the cost of the underlying services.

The table below, provided by Jones Lang LaSalle IP, gives a snap shot of rental markets broken out by Class type and by geographical area as of First Quarter, 2015.

⁴ Under a Full Service Lease, the Landlord provides all building outgoing costs including janitorial, utilities, maintenance and repairs, and security. Under a Net Lease, the tenant is responsible for these items in addition to payment of rent. The Port's Rental Rate Schedule consists of net lease rates.

⁵ Asking Rate is the quoted rental rate before taking into account incentives or increases and is not the final contract rate. Effective Rent is the rental rate averaged out over the term of the lease and giving consideration for rent free periods or up-front incentives such as a tenant improvement allowance, wall and floor coverings, or a free rent period. The Port's Rental Rate Schedule consists of Effective Rental Rates.

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under Construction (s.f.)
North Financial District	Totals	27,180,013	106,837	106,837	0.4%	8.8%	10.4%	\$66.09	0	365,500
South Financial District	Totals	24,050,146	210,488	210,488	0.9%	9.5%	10.5%	\$66.62	451,000	2,288,705
CBD	Totals	51,230,159	317,325	317,325	0.6%	9.1%	10.4%	\$66.34	451,000	2,654,205
Jackson Square	Totals	1,321,255	22,923	22,923	1.7%	5.3%	6.3%	\$50.71	0	0
Mid-Market	Totals	4,261,965	125,827	125,827	3.0%	11.9%	14.6%	\$53.29	0	0
Mission Bay/China Basin	Totals	2,478,392	-8,069	-8,069	-0.2%	4.2%	4.3%	\$76.93	0	0
North Waterfront	Totals	3,443,129	17,435	17,435	0.5%	5.7%	6.1%	\$54.03	0	0
Showplace Square	Totals	2,665,179	-46,032	-46,032	-1.7%	7.6%	9.6%	\$56.49	0	0
South of Market	Totals	5,503,217	-24,992	-24,992	-0.5%	6.0%	8.8%	\$63.49	0	480,000
Union Square	Totals	3,043,351	-45,673	-45,673	-1.5%	6.6%	7.4%	\$51.37	0	0
Van Ness Corridor	Totals	697,294	21,190	21,190	3.0%	9.5%	9.5%	\$47.03	0	0
Non-CBD	Totals	23,413,782	64,609	64,609	0.3%	7.2%	8.8%	\$60.25	0	480,000
San Francisco	Totals	74,643,941	381,934	381,934	0.5%	8.5%	9.9%	\$65.15	451,000	3,134,205
North Financial District	A	21,399,963	6,585	6,585	0.0%	9.3%	11.3%	\$68.66	0	365,500
South Financial District	A	20,285,097	57,305	57,305	0.3%	9.6%	10.6%	\$67.88	451,000	2,288,705
CBD	A	41,685,060	63,890	63,890	0.2%	9.4%	11.0%	\$68.28	451,000	2,654,205
Jackson Square	A	382,055	-9,826	-9,826	-2.6%	9.0%	10.3%	\$54.81	0	0
Mid-Market	A	2,711,328	51,099	51,099	1.9%	13.9%	17.7%	\$54.69	0	0
Mission Bay/China Basin	A	2,478,392	-6,069	-6,069	-0.2%	4.2%	4.3%	\$76.93	0	0
North Waterfront	A	1,831,564	22,112	22,112	1.2%	2.1%	2.6%	\$57.01	0	0
Showplace Square	A	1,225,357	-9,335	-9,335	-0.8%	7.3%	10.2%	\$56.49	0	0
South of Market	A	1,455,817	-9,075	-9,075	-0.6%	0.0%	4.7%	N/A	0	480,000
Union Square	A	213,125	0	0	0.0%	0.0%	0.0%	N/A	0	0
Van Ness Corridor	A	375,485	-3,403	-3,403	-0.9%	10.3%	10.3%	\$54.79	0	0
Non-CBD	A	10,673,123	35,503	35,503	0.3%	6.4%	8.5%	\$64.85	0	480,000
San Francisco	A	52,358,263	99,393	99,393	0.2%	8.8%	10.5%	\$67.85	451,000	3,134,205
North Financial District	B	5,398,193	94,929	94,929	1.8%	7.2%	7.6%	\$57.66	0	0
South Financial District	B	3,299,060	161,285	161,285	4.9%	9.8%	10.2%	\$63.43	0	0
CBD	B	8,697,253	256,214	256,214	2.9%	8.2%	8.6%	\$59.63	0	0
Jackson Square	B	939,200	32,749	32,749	3.5%	3.8%	4.7%	\$46.74	0	0
Mid-Market	B	1,355,866	49,928	49,928	3.7%	8.8%	9.8%	\$53.48	0	0
North Waterfront	B	1,448,720	2,052	2,052	0.1%	9.7%	10.1%	\$53.74	0	0
Showplace Square	B	1,330,389	-36,697	-36,697	-2.8%	8.4%	9.8%	N/A	0	0
South of Market	B	3,696,459	-17,225	-17,225	-0.5%	7.8%	10.2%	\$65.11	0	0
Union Square	B	2,470,067	-19,941	-19,941	-0.8%	7.0%	7.5%	\$49.79	0	0
Van Ness Corridor	B	321,809	24,593	24,593	7.6%	8.7%	8.7%	\$41.95	0	0
Non-CBD	B	11,562,490	35,459	35,459	0.3%	7.8%	9.0%	\$57.06	0	0
San Francisco	B	20,259,743	291,673	291,673	1.4%	8.0%	8.6%	\$58.67	0	0
North Financial District	C	381,837	5,323	5,323	0.014	1.1%	2.0%	\$50.21	0	0
South Financial District	C	465,989	-8,102	-8,102	-1.7%	4.1%	5.40%	\$53.42	0	0
CBD	C	847,826	-2,779	-2,779	-0.3%	2.7%	3.90%	\$53.65	0	0
Mid-Market	C	194,771	24,800	24,800	12.7%	5.1%	5.1%	\$43.95	0	0
North Waterfront	C	162,845	-6,729	-6,729	-4.1%	10.6%	10.6%	\$43.74	0	0
Showplace Square	C	109,453	0	0	0.0%	0.0%	0.0%	N/A	0	0
South of Market	C	350,941	1,308	1,308	0.4%	11.0%	11.0%	\$52.60	0	0
Union Square	C	360,159	-25,732	-25,732	-7.1%	7.8%	10.9%	\$55.74	0	0
Non-CBD	C	1,178,169	-6,353	-6,353	-0.5%	8.0%	8.90%	\$51.04	0	0
San Francisco	C	2,025,995	-9,132	-9,132	-0.5%	5.8%	6.80%	\$52.30	0	0

Source: Jones Lange LaSalle 1Q2015

Port Industrial and Warehouse Space

The Port directly manages approximately 1,368,215 s.f. of industrial and warehouse space. In total the Bay Area has approximately 159 million square feet of warehouse rental space along the East Bay I-80/880 Corridor and in Santa Clara, San Mateo and San Francisco Counties. The East Bay is the largest home to industrial/warehouse space and San Francisco County the smallest, representing approximately 12% of the total Bay Area warehouse rental space. The San Francisco industrial market has approximately 19.3 million square feet located in three major submarkets:

- i. Mission/South of Market (SOMA)
- ii. 3rd Street Corridor/Potrero Hill and
- iii. Bayview/India Basin

More than three quarters of San Francisco's warehouse space is located in the Mission/SOMA and 3rd Street Corridor/Potrero Hill areas. (Source: DMZ formerly Cassidy Turley 1Q 2015 Warehouse Market Bay Area)

The San Francisco-Bay Area industrial and warehouse vacancy rate dropped to 2.6% in 1Q 2015 (from 6.3% 1Q2014). Average asking rents vary by submarket from \$0.60 to \$1.11 per square foot per month, on a full service basis. (Source: DTZ Bay Area Warehouse Report 1Q 2015 & Port of San Francisco Lease Activity April 1, 2014 to March 31, 2015, Exhibit E)

The majority of Port warehouses are categorized as Class C. The Port's industrial properties have various levels of improvements including partitions, fencing, electrical service, plumbing, etc. These industrial/warehouse spaces are typically leased under "net" leases with space defined as "gross leasable area." The majority of these spaces lack loading docks, attached office space and non-permeable concrete floors, and they share a common drive aisle. Despite the limited infrastructure, the Port has been able to negotiate rental rates comparable to those of private landlords that have more amenities. This is due in large part to the close proximity of the Port's warehouse space to the City's financial and social center. During the previous twelve months, Port warehouse rates have averaged \$1.00 to \$1.25 per square foot (\$12 to \$15 annualized). These rates are higher than current comparable rental market conditions as shown below.

Industrial & Warehouse Rental Rate Per Square Foot

<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
\$1.10	\$13.20	\$1.25	\$15.00

Demand for Port warehouse and industrial space has strengthened through 1Q 2015. During the prior reporting period, 1Q 2014, the Port's industrial and warehouse vacancy was 0.3%. The Port's current warehouse vacancy rate has increased to 9.4%. The large increase in warehouse vacancy is due to the termination of the America's Cup at Piers 19, 19½ and 23 which have taken longer to re-permit than planned. However, these properties should be permitted for new leasing in the coming months. Port staff proposes to raise rates on 22 of the Port's 27 industrial and warehouse properties and hold rates flat on the remaining 5 properties due to either their poor condition or their unique support of the Port's fishing industry.

Rental Rates for Existing Pier 40 Shed Tenants

The Successor Agency to the San Francisco Redevelopment Agency (SFRDA), known as the Office of Community Investment and Infrastructure (OCII), and Port staff have negotiated a Memorandum of Agreement (MOA) to transfer SFRDA assets and operations on Port lands in Rincon-South Beach Redevelopment Plan project area back to the Port. The transfer is anticipated to be complete by mid-summer. One of the assets is Pier 40 located adjacent to the South Beach Harbor. There are currently six existing tenants at Pier 40, all of which are on outdated month-to-month SFRDA agreements. Following the completion of the transfer of assets from OCII to the Port, Port staff will negotiate new leases with the existing tenants. These tenants will be subject to all Port standard leasing policies and procedures, which include payment of market rent pursuant to the Port's Rental Rate Schedule.

The Port's proposed rental rate for the Pier 40 Shed is \$1.35 - \$2.00 in Exhibit A per square foot per month. Port staff notes that for the existing long time tenants whose rents have not been raised in many years, a sudden increase to this market rate may create a hardship. Port staff recommends that, for these existing tenants only, a rate schedule with gradually tiered increases should be adopted. Staff proposes an initial rate for the first year to be \$0.75 per square foot per month. The rate for the second year would increase to \$0.85 and for the third year an increase to \$1.00. The lease would be subject to fixed annual increases of 3% in lieu with CPI as in other Port leases thereafter. All new prospective tenants will be subject to the then current market rates as set in the Rental Rate Schedule.

Pier 40 Storage Lockers

There are 20 existing storage lockers being used by the Pier 40 boat slip holders. The current rent is \$20.00 per month. Port staff recommends an increase to \$25.00 per month.

Monthly Rental Rate Schedule

The proposed Rental Rate Schedule, attached hereto as Exhibit A, is presented for Port Commission review and consideration. It is attached hereto as Exhibit A. The Rental Rate Schedule is a minimum rental schedule and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified, for properties that may be physically sub-standard or oddly configured.

The proposed Rental Rate Schedule lists all commercial properties and their associated Minimum Initial Rental Rates and Net Effective Rental Rates (see below). The Rental Rate Schedule is organized first by type of use and lease type (full vs net) and second by property/geographical location.

For each property the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings are amortized over the term of the lease. The Port Commission has previously approved application of rent credits for flooring and wall coverings. Port staff has the authority to

issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease falling below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. For example, for office space at the Roundhouse Plaza in the northern waterfront, the proposed Minimum Initial Lease Rental Rate range is \$3.50- \$4.00 per square foot, per month and the proposed Minimum Net Effective Rental Rate range is \$3.25-3.75 per square foot per month. Allowances for paint (set by the Port Commission in June 2010) may be made up to a maximum of \$3.50 per square foot. Allowances for floor covering, up to a maximum of \$5.00 per square foot (approved July 2012), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

Port leases are annually indexed by either the Consumer Price Index (CPI) or fixed rate adjustments currently ranging from 2.5% to 3.5%. Most of the Port's leases provide for a "mark to market" adjustment on an extension or option date. Most also provide for a "mark to market" adjustment upon expiration if they go to month-to-month holdover status while a new lease or a termination is negotiated.

Proposed Changes to Rental Rate Schedule for Fiscal Year 2015-16

Given Port staff's market research, the Port's own leasing experience and the overview by KMA, Port staff recommends adjustment of the minimum rental rates averaging 10% to 13% for the majority Port properties to better reflect current market conditions. Port staff proposes changes to the current Rental Rate Schedule for certain office and industrial shed space as follows.

1. The following office properties are currently in high demand and are experiencing limited vacancy rates. Staff recommends revising minimum monthly rents for these locations in recognition of demand and limited vacancy at these locations.

Port Office Class B Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Roundhouse Plaza	\$3.25	\$3 50

As illustrated in the previous table titled "San Francisco Sub-Office Markets" above, prepared by Jones Lang LaSalle, equivalent gross lease class B office rates in the adjacent area to the Roundhouse Facility are:

Class B San Francisco Non-Commercial Business District Gross Lease	B	Monthly Average \$4.76	Annual average \$57.06
Jackson Square	B	\$3.90	\$46.74
North Waterfront	B	\$4.48	\$53.74

Port Office Class B Net Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Bulkhead Bldg.	\$3.20	\$3.80
b)	Pier 9 office	\$3.00	\$3.80
c)	Pier 26 Annex. Bld.	\$2.75	\$3.00
d)	Pier 33 Bulkhead Bldg.	\$2.50	\$3.00
e)	Pier 35 Bulkhead Bldg.	\$2.75	\$3.00

On average, net lease rates are \$1.25-\$1.50 per square foot per month less than equivalent gross leases. Adjusted net lease rates for Class B office space in the same geographic area as those listed above, published by Jones Lang LaSalle are:

Class B San Francisco Non-CBD Net Lease	B	Monthly Average	Annual average
		\$3.51	\$42.12
Jackson Square	B	\$2.65	\$31.80
North Waterfront	B	\$3.23	\$38.76

Port Office Class C Net

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Agriculture Building	\$2.40	\$3.25
b)	Pier 29½	n/a	\$2.25
c)	Pier 23 Bulkhead	\$2.00	\$2.50
d)	401 Terry Francois	\$2.60	\$3.30
d)	Pier 26 Bulkhead	\$2.00	\$2.25
f)	Pier 28 Bulkhead	\$2.00	\$2.25
g)	490 Jefferson Street	\$2.00	\$3.50
h)	Pier 50 Bulkhead Bldg.	\$2.25	\$2.75
i)	601 Cesar Chavez	\$1.50	\$1.65

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Adjusted net lease rates for Class C office space in the same geographic area as those listed above, published by Jones Lang LaSalle are:

Class C San Francisco Non-Commercial Business District Lease	C	Monthly Average	Annual average
North Waterfront - Net	C	\$2.93	\$35.16

2. As illustrated above, DMZ formerly Cassidy Turley reported industrial/warehouse rates for 1Q 2015 in San Francisco as \$1.11 per square foot per month. Because of increased demand on these properties, Port staff recommends revising minimum monthly rents for the following Port industrial/warehouse locations:

Pier Shed and Land:

Northeast Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 33-35	\$1.00	\$1.10
b)	Pier 9	\$1.35	\$1.50
c)	Pier 19	\$1.25	\$1.35
d)	Pier 23	\$1.25	\$1.35
e)	Pier 29	\$1.25	\$1.50
f)	Pier 31	n/a	\$1.25

South Beach/China Basin

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 24 Annex	\$3.00	\$3.25
b)	Piers 26-28	\$1.00	\$1.35
c)	Pier 40	\$1.00	\$1.35
d)	Pier 48	\$1.25	\$1.35
e)	Pier 50	\$1.25	\$1.35

Southern Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	SWLs 343 & 354	\$0.90	\$1.00
b)	SWL 345	\$0.90	\$1.00
c)	Pier 92 & SWLs 344 & 349	\$0.90	\$0.95
d)	699 Illinois	\$0.85	\$1.00
e)	Pier 96 M&R	\$0.90	\$1.00
f)	Facility 6019	\$0.55	\$0.75

Open Land and Pier Uses

Port staff recommends amending paved land lease rates. Staff believes the rate should be increased to reflect strong demand.

Industrial Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Unpaved Land	\$0.28	\$0.30
b)	Paved Land	\$0.30	\$0.40
c)	Improved Land	\$0.40	\$0.80
d)	Submerged Land	\$0.16	\$0.17

3. The rental rates at Pier 45 Fish Processing Center were last adjusted in 2014. Port staff recommends adjustments in the following rate categories to better reflect current market conditions in the fishing industry.

Fishing Industry Pier Shed and Land

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 45 Sheds	\$0.95	\$1.00
b)	Aprons	\$0.25	\$0.35
c)	Fishing Gear Storage	\$0.30	\$0.35
c)	Fish Gear Storage Non-Berth Holders	\$0.60	\$0.80

(Research sources: Port of San Francisco, Santa Cruz Harbor, Pilar Point Harbor, Spud Point Harbor, Morro Bay Harbor, Crescent City Harbor 2015)

Telecommunications Leases

The Port may enter into leases for telecommunication sites (wireless cellular sites) for up to nine years without Port Commission approval (Resolution No. 96-123). The Port Commission's initial approved rate was \$1,600 per month. The current rate has increased 19% per year or 350% over the initial rate. Based on recent transactions, Port staff is recommending a minimum rental rate of \$5,700.00 per month for each fixed site and \$380.00 per day for temporary sites for up to sixty-days.

Parking

The Port operates a number of parking facilities where the Port leases individual parking stalls on a monthly basis totaling 353 stalls (a reduction of 21 stalls over the same period last year) with annual revenues of \$475,778 for the 12 month period from April 1, 2014 to April 1, 2015, (decrease of approximately 8.7% due to the transfer of monthly parking stalls at Pier 45 and wharf J3 to our parking lot operator in April 2014.) The majority of the stall holders are Port tenants. A map is attached as Exhibit F1 that shows the location of those facilities at which the Port currently offers monthly parking. The Port's current vacancy rate is 18%. In the same period last fiscal year the vacancy rate was 13%. The increased vacancy is due in part to the high vacancy rate at the employee parking area at SWL 324, 38%; the Agriculture Building Parking, 37.5%; and Pier 96, 19%.

The Port Commission approved the Fiscal Year 2014-15 Monthly Parking Stall Rate Schedule as part of its approval on June 10, 2014 of the Rental Rate Schedule. Since last year's parking stall rate review, the parking market has experienced improvement. Port staff recently conducted a survey of comparable parking facilities in the vicinity of Port property where the Port rents monthly parking stalls, attached hereto as Exhibit F2. The survey determined that the monthly parking stall rates for Port facilities are generally slightly under market. Staff proposes increasing parking rates by an average of 5% to better reflect current market conditions. Please note that the parking rates in this report do not include any City parking tax, currently 25%, which is paid by the stall holder and remitted to the City Tax Collector.

Proposed Changes to FY 2015-16 Monthly Parking Rate Schedule

Site	Parking Type	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Agriculture Bldg.	Building Tenant	\$328	\$410	\$328	\$410	\$00
Pier 9	Shed	\$288	\$360	\$304	\$380	\$20
Seawall Lot 302	Commercial Tenant	\$268	\$335	\$280	\$350	\$15
	Restaurant Tenant	\$164	\$205	\$176	\$220	\$15
Seawall Lot 302	Commercial Tenant	\$256	\$320	\$272	\$340	\$20
	Restaurant Tenant	\$164	\$205	\$176	\$220	\$15
Pier 80	Admin Bldg., Uncovered	\$32	\$40	\$36	\$45	\$5
	Truck	\$128	\$160	\$136	\$170	\$10
Pier 90	Truck	\$130	\$163	\$140	\$175	\$12
Pier 94	Truck	\$128	\$160	\$128	\$160	\$00
Pier 96	Truck	\$128	\$160	\$128	\$160	\$00

The Port makes available parking stalls, at cost, for its employees' vehicles. The parking lot operator at SWL 324 (Broadway lot) is required to provide 40 parking spaces at SWL 324 for Port employees at no cost to the Port. The Port has converted 25 underutilized metered spaces on Davis Street for Port employee parking.

Proposed Port Employees Monthly Parking Rate for FY 2015-16

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Seawall Lot 351	Port Commissioner	\$140	\$175	\$140	\$175	\$0
	Employees who have been granted a reasonable accommodation under the Americans with Disabilities Act	\$62.4*	\$78*	\$64.4*	\$80*	\$2
Seawall Lot 324	Employees assigned to Pier 1; parking available for one employee vehicle used for commuting	\$62.4*	\$78*	\$64.4*	\$80*	\$2
Pier 50 or at jobsite	Employees assigned to Pier 50 or whose collective bargaining agreement allows for free parking; one automobile space for	\$0	\$0	\$0	\$0	\$0

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
	vehicle used by the employee for commuting (no boats, trailers, three-axle vehicles, etc.)					

**As per City policy, the rate is equivalent to the cost of a MUNI monthly pass plus \$10. It will be adjusted correspondingly to future MUNI monthly pass increases. Current cost of MUNI monthly pass is \$70.00*

Parking, Color Curb Program

The Port has a long-standing policy of charging for parking, including curb zones, throughout the waterfront. Due to the emerging neighborhoods in the Southern Waterfront, the Port established guidelines and pricing for colored curbs in the Southern Waterfront. Color Curb Zones in the Northern Waterfront and in front of the Ferry Building were established some time ago and continue to be reviewed by the Port on a case-by-case basis. Tenants and non-tenants whose sidewalks/curbs abut Port property may make a request to have a color zone curb designated, following the color curb guidelines established by the Port Harbor Code.

The Port's methodology for determining the fee for curb zones has been to charge a monthly fee which is equivalent to a rate that the Port would otherwise expect to receive from paid parking had the equivalent curb zone been metered. The proposed curb rates represent amounts which are lower than a fully metered space with the expectation that the Port will collect some additional metered revenues from after hours and special event usage.

Parking, White Zone

As per City practice, White Zones are for passenger loading and unloading with a time limit of 5 minutes. The effective time that the white zone is in effect may vary and the Port may meter such zones for metered parking when white zones are not in use. For example, meter rates may apply on evenings and weekends when offices are closed and special events are scheduled. Posted signs and sidewalk stencils are used to indicate flex times.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
1-22 feet	\$0	\$380	\$290	\$280/mo.

Meter charges during flex time will be priced at standard meter rates for the surrounding area and will be posted accordingly.

Parking, Yellow Zones

Yellow zones are for active 30 minute freight loading and unloading only by commercial vehicles. Yellow zones are NOT intended for long-term parking of vehicles with commercial license plates. The effective times of yellow zones vary and are indicated by signs on the meter and/or by stencils on the curb. All Yellow Zones will be metered and charged at standard meter rates for the surrounding area and will be posted accordingly.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
20-44 ft.	\$0	\$400	\$0	\$0

Special Events and Filming

Special events and filming generated a combined total of \$70,419 in revenues to the Port over the past 12 months (April 2014 to March 2015). Of this amount, special events generated \$68,621 and filming \$1,798. Much of the film permitting is done by the Film Commission and those fees are retained by the Film Commission.

The Port's 7½ miles of waterfront property is a popular venue for special events and filming projects produced each year in the City. Among the most notable special events are *Fleet Week*, *4th of July Celebration* and *Fireworks*, *Sunday Streets*, *New Year's Eve*, *Giant's Fanfest* and *the Nike Women's Marathon*.

Additionally, a number of major motion pictures and television series have been produced on Port property including Danny Boyle's "*Steve Jobs*", Brad Peyton's "*San Andreas*", and Tim Burton's, "*Big Eyes*".

The Port is also very popular with advertisers that account for the majority of still photo shoots that occur at the Port. From elegant fashion and auto ads located at Pier 7 to the more urban industrial projects shot in the Southern Waterfront, the Port offers a variety of locations sought after by creative photographers.

In order to standardize film and photography related fees charged for various Port facilities, Port staff has established a Special Event and Filming Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for re-approval.

There are several recurring Special Events/Uses that have a strong maritime or community connection to the Port of San Francisco and customarily have been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. In order to streamline the administrative process and costs associated with preparing individual Port Commission Agenda Items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

1. Proposed Fee Waiver: *4th of July Celebration*; *Fleet Week*; *City's New Year's Eve Celebration*; *Madonna Del Lume*; *Delancey Street Flower Sale*; and *Super Bowl 50 Celebration*.
2. Ongoing Fee Reductions: *Small Boat Fishing Gear Swap Meet*, \$300 versus \$2,000; and *Delancey Street Christmas Tree Lot*, \$3,528 versus \$7,055.

The methodology for deriving the fees described in the Special Events and Filming Fee Schedule is a combination of market research, continuous dialog with special events promoters and the Port's own experience at negotiating fees.

Public Art

The Port has become an attractive venue for significant public art installations. Pier 14 now has its 4th temporary installation since opening in 2006. The Bayview Rise sculpture on the silos at Pier 90 has brought attention to the Southern Waterfront, and Port staff is currently working with the Arts Commission for a permanent installation at the soon to be opened Bayview Gateway park.

Public Art generally has enjoyed positive public comments and has attracted more visitors to the waterfront and to other waterfront uses. For most installations the Port enters into a License with the sponsoring group or a Memorandum of Understanding (MOU) with the Arts Commission, but does not charge a fee for use of Port property. Typically an artist or arts organization incurs \$50,000 to \$100,000 in expenses to modify and install an existing art piece on Port property. Port staff looks for sites that have no other uses for the space during the term of the license that would generate rent to the Port, and no uses would be displaced. The Port generally does not expend any resources or revenues to support the installation, yet there is a direct benefit to the Port in that Public Art enlivens and attracts people to the waterfront. To support future installations and to attract art to the broader waterfront Port staff proposes that the Port Commission authorize the Port's Executive Director to waive the License fee for public art installations at several sites that are most likely to be attractive for large scale public art, and that have adequate space for a variety of types of installation. Sites would include Pier 14, Cruise Terminal Plaza, Harry Bridges Plaza, Brannan Street Wharf, Crane Cove Park, and Heron's Head Park. Port staff would continue the practice of informing citizen advisory committees and taking comment, and making informational presentations to the Port Commission prior to issuing a license.

Port staff proposes hence forth to include Public Art as a waivable fee by the Port's Executive Director in the Port Commission's annual adoption of rates.

Proposed FY 2015-16 Special Event And Filming Rate Schedule

Port staff recommends increases to the FY 2015-16 Special Event and Filming Rate Schedule, which is listed on Exhibit C.

Recommendation

Port staff recommends that the Port Commission approve the Fiscal Year 2015-16 Monthly Rental Rates Schedule, Monthly Parking Stall Rates (monthly parking stall schedule in staff report), and Special Event and Filming Rates and for Public Art For Waiver Policy, attached hereto as Exhibit C and E and H. If approved, the Fiscal Year 2015-16 rates will take effect on July 1, 2015.

Prepared by: Jeffrey A. Bauer
Senior Leasing Manager

For: Susan Reynolds
Deputy Director of Real Estate

ATTACHMENTS

Exhibit A	<i>Proposed</i> 2015-2016 Minimum Monthly Rental Rate Schedule
Exhibit B	2014-2015 Minimum Monthly Rental Rate Schedule
Exhibit C	2015-2016 Special Events and Filming Fee Schedule
Exhibit D	Bibliography of Market Research Sources
Exhibit E	Office, Bulkhead Office and Pier Shed Vacancy Rate
Exhibit F1	Parking Facilities Located in the Vicinity
Exhibit F2	Parking Facilities Located in the Vicinity
Exhibit G	Keyser Marston Memorandum 2015
Exhibit H	Port Leasing Policies
Exhibit I	Port Active Office and Warehouse Rental Transactions

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 15-21**

- WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, and as amended by Resolution 93-135, the Port Commission authorized the Executive Director to approve and execute certain transactional documents such as leases and licenses that conform to all of the parameters set forth in those Resolutions as amended (the “delegated authority”); and
- WHEREAS, Port staff has delegated authority to enter into leases, licenses, and Memorandums of Understanding with rents that conform to the applicable Monthly Rental Rate Schedule, Parking Stall Rate Schedule, and Special Event and Filming Rate Schedule as adopted and amended periodically by the Port Commission (last amended Resolution No. 14-42 for the fiscal year 2014-15); and
- WHEREAS, the parameter Rental Rate Schedule provides that leases, licenses, and Memorandums of Understanding shall have rents that conform to the Monthly Rental Rate Schedule, Parking Stall Rate Schedule, and Special Event and Filming and Public Art Rate Schedule as adopted and amended periodically by the Port Commission; and
- WHEREAS, Port staff has reviewed current office/industrial-warehouse, parking, and special event and filming market data and has prepared updated delegated authorities (including for a Waiver of License Fees for certain Public Art at Pier 14) and updated Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule, and Special Event and Filming Rate Schedule; and
- WHEREAS, Port staff recommends approval of the delegated authorities specified in the staff report and the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Parking Rate Schedule, and Special Events and Filming Schedule and Public Art Rate Schedule, which would set rental rates for office, shed, and land space, color curbs, telecommunication sites, monthly parking stalls, special events, large scale public art, and filming rates as described in the Memorandum dated June 18, 2015; and
- WHEREAS, Port staff recommends approval of proposed fee waiver for the following special events, 4th of July Celebration, Fleet Week, City’s New Year’s Eve Celebration, Madonna Del Lume, Delancey Street Flower Sale, and Super Bowl 50 Celebration; and

- WHEREAS, Port staff further recommends approval of fee reductions for the Small Boat Fishing Gear Swap Meet, and Delancey Street Christmas Tree Lot as described in the staff report; now, therefore be it
- RESOLVED, That the Port Commission hereby approves and adopts the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Parking Rate Schedule, Special Event and Filming Rate Schedule and Public Art Rate Schedule to be implemented by Port staff in connection with the delegated authorities as described in the Memorandum dated June 18, 2015, and approves the proposed fee waivers and fee reductions for certain special events and large scale public art as described in this Resolution; and be it further
- RESOLVED, That Port Commission finds that competitively bidding the real property agreements covered by the delegated authorities and the rental rate schedules approved by this Resolution is impractical; and be it further
- RESOLVED, That Port staff shall continue to provide the Port Commission, within thirty days following each calendar month, a summary of leases, licenses, and Memorandum of Understanding entered into and subleases or assignments consented to during that month.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 23, 2015.

Secretary

2015-16 MINIMUM MONTHLY RENTAL RATE SCHEDULE

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.50 - \$4.00	\$3.25 - \$3.75
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$3.25 - \$3.75	\$3.00 - \$3.50
	Interior Office	\$1.50 - \$2.00	\$1.25 - \$1.75
	401 Terry Francois	\$3.30 - \$3.75	\$3.60 - \$3.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.80 - \$4.50	\$3.50 - \$4.00
	Pier 9 Pier Offices	\$3.80 - \$4.50	\$3.50 - \$4.00
	Pier 26 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 33 ½ North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$3.00 - \$3.25	\$2.75 - \$3.00
	Pier 35 Bulkhead Bldg.	\$3.00 - \$3.25	\$2.50 - \$3.00
	<u>CLASS C</u>		
	Piers 23 Bulkhead Bldgs.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 29 ½	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$3.50 - \$3.75	\$3.25 - \$3.50
	Piers 26 Bulkhead Bldg.	\$2.25 - \$2.75	\$2.00 - \$2.50
	Pier 28 Bulkhead Bldg.	\$2.25 - \$2.75	\$2.00 - \$2.50
	Piers 50 Bulkhead Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.65 - \$1.75	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.65 - \$2.00	\$1.65 - \$2.00

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.50 - \$2.00	\$1.25 - \$1.70
	Pier 33, 35, 45	\$1.10 - \$1.25	\$1.00 - \$1.15
	Pier 31	\$1.25 - \$1.50	\$1.10 - \$1.25
	Pier 19	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 23	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 29	\$1.50 - \$1.75	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.25 - \$3.50	\$3.00 - \$3.25
	Piers 26-28	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 40	\$1.35 - \$2.00	\$1.35 - \$2.00
	Piers 48	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 50	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 54 Shed	\$0.70 - \$0.70	\$1.35 - \$2.00
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$1.00 - \$1.25	\$0.80 - \$1.00
	SWL 345	\$1.00 - \$1.25	\$0.85 - \$1.00
	699 Illinois	\$1.00 - \$1.25	\$0.95 - \$1.10
	Facility 6019	\$0.75 - \$0.75	\$0.75 - \$0.75
	Pier 80	\$0.95 - \$1.10	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.95 - \$1.10	\$0.85 - \$0.85
	Pier 96 M & R	\$1.00 - \$1.50	\$0.95 - \$1.00
<u>OPEN LAND AND PIER SPACE USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
<u>"PORT STANDARD NET LEASE"</u>	<u>UNPAVED LAND</u>	\$0.30 - \$0.50	\$0.30 - \$0.50
	<u>PAVED LAND</u>	\$0.40 - \$0.60	\$0.40 - \$0.60
	<u>IMPROVED LAND</u>	\$0.80 - \$1.00	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>	\$0.17 - \$0.17	\$0.17 - \$0.17
	Aprons/Open Pier	\$0.35 - \$0.50	\$0.35 - \$0.50

Exhibit A

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
--	---	---	--

FISHING INDUSTRY USES:INDUSTRIAL GROSS LEASES: FISH WHOLESALING &
PROCESSING SPACEImproved Fish Processing Space

Pier 45 Sheds	\$1.00 - \$1.10	\$0.95 - \$1.00
Second floor warehouse	\$0.50 - \$0.55	\$0.45 - \$0.50
Pier 45 Office 1st fl office	\$1.20 - \$1.50	\$1.10 - \$1.50
Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25

Sheds

Pier 33	\$1.00 - \$1.10	\$0.95 - \$1.00
SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00

Aprons

\$0.35 - \$0.37	\$0.35 - \$0.37
-----------------	-----------------

LICENSES:

<u>FISHING GEAR STORAGE</u>	\$0.35 - \$0.50	\$0.35 - \$0.50
<u>NON-BERTH HOLDERS</u>	\$0.80 - \$1.00	\$0.80 - \$1.00

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

2014-15 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.25 - \$3.75	\$3.00 - \$3.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.40 - \$2.60	\$2.20 - \$2.40
<u>NET LEASES:</u>	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.60 - \$2.75	\$2.40 - \$2.50
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.20 - \$3.50	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$3.00 - \$3.25	\$2.50 - \$2.75
<u>NET LEASES:</u>	Pier 26 Annex Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 33 1/4 North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.50 - \$2.75	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$2.00 - \$2.25	\$1.10 - \$1.75
<u>NET LEASES:</u>	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$2.00
	Piers 50 Bulkhead Bldg.	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
<u>OFFICE STORAGE</u>	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 33, 35, 45	\$1.00 - \$1.25	\$0.85 - \$0.95
	Pier 19	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 23	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 29	\$1.25 - \$1.50	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.00 - \$3.25	\$3.00 - \$3.25
	Piers 26-28	\$1.00 - \$1.25	\$0.95 - \$1.00
	Pier 40	\$1.00 - \$1.25	\$1.00 - \$1.25
	Piers 48	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 50	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 54 Shed	\$0.70 - \$0.70	\$0.70 - \$0.70
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$0.90 - \$1.00	\$0.80 - \$0.85
	SWL 345	\$0.90 - \$1.00	\$0.85 - \$1.00
	699 Illinois	\$0.85 - \$1.25	
	Facility 6019	\$0.55 - \$0.55	\$0.55 - \$0.55
	Pier 80	\$0.95 - \$0.95	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.90 - \$0.90	\$0.85 - \$0.85
	Pier 96 M & R	\$0.90 - \$0.95	\$0.80 - \$0.75
<u>OPEN LAND AND PIER SPACE USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>UNPAVED LAND</u>		
"PORT STANDARD NET LEASE"		\$0.28 - \$0.30	\$0.25 - \$0.30
	<u>PAVED LAND</u>		
		\$0.30 - \$0.35	\$0.30 - \$0.35
	<u>IMPROVED LAND</u>		
		\$0.40 - \$0.40	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>		
		\$0.16 - \$0.16	\$0.16 - \$0.16
	Aprons	\$0.35 - \$0.35	\$0.35 - \$0.35

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES</u> Monthly Per Sq. Ft.	<u>MINIMUM NET EFFECTIVE RENTAL RATES</u> Monthly Per Sq. Ft.*
<u>FISHING INDUSTRY USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>FISH WHOLESALING & PROCESSING SPACE</u>		
	<u>Improved Fish Processing Space</u>		
	Pier 45 Sheds	\$0.95 - \$1.00	\$0.95 - \$1.00
	Second floor warehouse	\$0.45 - \$0.50	\$0.45 - \$0.50
	Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.10 - \$1.50
	Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25
	<u>Sheds</u>		
	Pier 33	\$0.90 - \$0.95	\$0.90 - \$0.95
	<u>Aprons</u>	\$0.25 - \$0.25	\$0.25 - \$0.25
<u>LICENSES:</u>	<u>FISHING GEAR STORAGE</u>	\$0.30 - \$0.40	\$0.30 - \$0.40
	<u>NON-BERTH HOLDERS</u>	\$0.60 - \$0.65	\$0.60 - \$0.65

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT C

2015-16 FY Special Events and Filming Fee Schedule

	Rate
<u>Still Photo Shoot</u>	
Outdoor:	
Simple per day	\$1,250.00
Major per day	\$2,500.00
Indoor:	
Piers simple per day	\$1,250.00
Piers major per day	\$2,500.00
<u>Filming (Non-Film Commission)</u>	
Simple per day	\$1,250.00
Major per day	\$2,500.00
<u>Special Events</u>	
Athletic events (walk/run/bicycle) per day	\$1,250.00
Private event per day	\$2,500.00
Public event per day	\$2,500.00
<u>Pier 30/32 – Entire Pier</u>	
Private event	
Event day	\$20,000.00
Set-up per day	\$10,000.00
Security Deposit	\$20,000.00
Paid attendees:	
Event day	\$25,000.00
Set-up per day	\$12,500.00
Security Deposit	\$25,000.00
Free admittance:	
Event day	\$15,000.00(no retail)
Set-up per day	\$ 20,000.00 (with retail)
	\$7,500.00 load in/out day
Security Deposit	\$15,000.00
Notes:	

Minor film and photo shoots are those that require very few to no support functions. i.e.; the photographer and the subject, minimal equipment, etc.

Major film and photo shoots are those that require substantial support, i.e.; film crew, props, vehicles, generators lighting, etc.

At no time shall the fee charged for filming or a special event at a specific facility be less than the rental rate as specified under the Rental Rate Schedule for that premises

Exhibit D: Bibliography

In researching market conditions and rates, Port staff employed the following sources of information:

Unemployment Rate: *Federal Reserve Bank, May 2015*

Office Market Summary:

1. Cushman & Wakefield First Quarter Office Report 2015
2. 2015 Q1 San Francisco Office Report Jones Lange LaSalle
3. 2015 Q1 Cornish & Carey Commercial San Francisco Office
4. 2015 Q1 Tri Commercial Real Estate San Francisco Office
5. 2015 Q1 Kidder Mathews San Francisco Office
6. Port of San Francisco Lease Activity April 1, 2014 to March 31, 2015

Industrial Market Summary:

1. DMZ formerly Cassidy Turley 1Q 2015 Warehouse Market Bay Area

Fishing Industry Pier Shed and Land:

1. Port of San Francisco
2. Santa Cruz Harbor
3. Pillar Point Harbor
4. Spud Point Harbor
5. Morro Bay Harbor
6. Crescent City Harbor

Parking:

1. Parking Facilities Located in the Vicinity & Parking Facilities Located in the Vicinity

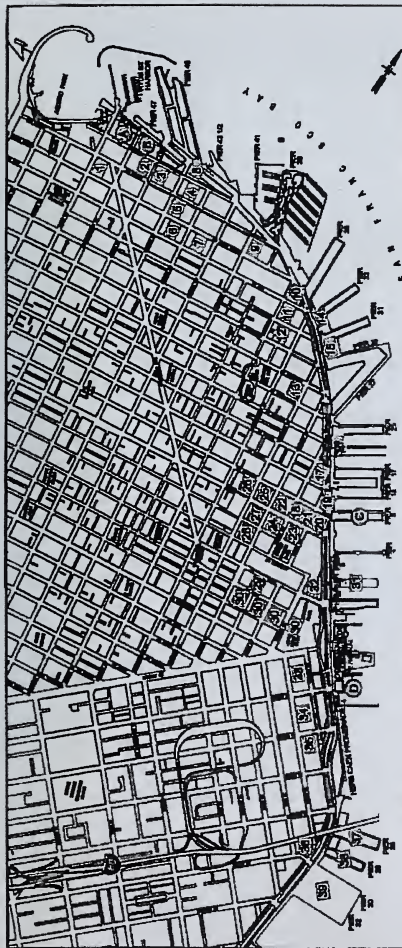
Office, Bulkhead Office and Pier Shed Vacancy Rate

OFFICE	As of March 2015				As of Mar 2014			
	Total	Occupied	Available	% Vacant	Total	Occupied	Available	% Vacant
RoundHouse I	20,237	20,237	0	0.0%	20,237	20,237	0	0.0%
RoundHouse II	25,421	25,421	0	0.0%	25,421	25,421	0	0.0%
Pier 29 Beltline Building 9	3,440	3,440	0	0.0%	12,406	12,406	0	0.0%
Ag Building	22,476	22,476	0	0.0%	22,476	22,476	0	0.0%
401 Terry Francois	10,764	10,764	0	0.0%	10,764	10,764	0	0.0%
501 Cesar Chavez	40,090	40,090	0	0.0%	40,090	23,090	17,000	42.4%
Pier 70, Bldg 11	25,154	25,154	0	0.0%	25,154	25,154	0	0.0%
Pier 96	18,542	15,542	3,000	16.2%	18,542	15,542	3,000	16.2%
Total Office	166,124	163,124	3,000	1.8%	175,090	155,090	20,000	11.4%
BULKHEAD OFFICE								
Pier 9	72,000	72,000	0	0.0%	72,000	72,000	0	0.0%
Pier 15 ⁴	4,084	4,084	0	0.0%	4,084	4,084	0	0.0%
Pier 17 ⁴	2,774	2,774	0	0.0%	2,774	2,774	0	0.0%
Pier 23 ^{1,3}	12,300	12,300	0	0.0%	12,300	12,300	0	0.0%
Pier 26 ³	18,433	18,433	0	0.0%	18,433	18,433	0	0.0%
Pier 28 ³	6,187	6,187	0	0.0%	6,187	6,187	0	0.0%
29 1/2	6,264	0	6,264	100.0%				
Pier 33	3,500	700	2,800	80.0%	3,500	700	2,800	80.0%
Pier 35	9,994	9,994	0	0.0%	9,994	9,994	0	0.0%
Pier 50	7,743	7,743	0	0.0%	7,743	7,743	0	0.0%
Pier 54 ²	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%
Total Bulkhead Office	146,279	137,215	9,064	6.2%	140,015	137,215	2,800	2.0%

Exhibit E

Office, Bulkhead Office and Pier Shed Vacancy Rate

<u>OVERALL OFFICE</u>		312,403	300,339	12,064	3.9%	315,105	292,305	22,800	7.2%
<u>PIER SHED</u>									
Pier 9		29,754	29,754	0	0.0%	29,754	29,754	0	0.0%
Pier 15 ⁴		0	0	0		0	0	0	
Pier 17 ⁴		0	0	0		0	0	0	
Pier 19 & 19 1/2 ^{1,3}		94,544	0	94,544	100.0%	94,544	94,544	0	0.0%
Pier 23 ^{1,3}		54,000	0	54,000	100.0%	54,000	54,000	0	0.0%
Pier 26 ⁷		94,472	94,472	0	0.0%	94,472	94,472	0	0.0%
Pier 28 ⁷		44,644	44,644	0	0.0%	44,644	44,644	0	0.0%
Pier 31		95,395	0	0	0.0%				
Pier 33		61,192	61,192	0	0.0%	61,192	61,192	0	0.0%
Pier 35		242,299	242,299	0	0.0%	242,299	242,299	0	0.0%
Pier 38 ⁵		0	0	0		0	0	0	
Pier 40		82,904	82,904	0	0.0%	82,904	82,904	0	0.0%
Pier 48		200,000	200,000	0	0.0%	200,000	200,000	0	0.0%
Pier 50		135,350	132,350	3,000	2.2%	135,350	130,350	5,000	3.7%
Pier 54 ²		20,000	20,000	0	0.0%	20,000	20,000	0	0.0%
Pier 96		400,600	400,600	0	0.0%	400,600	400,600	0	0.0%
Pier 96 M&R Building		30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Pier 80 M&R Building		30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Total Shed		1,615,154	1,368,215	151,544	9.4%	1,519,759	1,514,759	5,000	0.3%
OFFICE & SHED		1,927,557	1,668,554	163,608	8.5%	1,834,864	1,807,064	27,800	1.5%



Other Parking Facilities Located In The Vicinity

- Port-managed Parking Facilities
- A SWL303
 - B SWL302
 - C Pier8
 - D Agriculture Building

- 1 655 Beach / Luavemworth
- 2 500 Beach / Jones
- 3 273 Jones / Beach
- 4 350 Beach / Taylor
- 5 400 North Point / Taylor
- 6 455 North Point / Taylor
- 7 350 Bay / Powell
- 8 170 Jefferson
- 9 Embarcadero / Stockton
- 10 Bay / Embarcadero & Kearny
- 11 80 Francisco
- 12 55 Francisco
- 13 Sausalito / Greenwidge

- 14 Pier33
- 15 Pier25/12
- 16 Pier 19/12
- 17 Green / Front
- 18 Front / Broadway
- 19 Davis / Vallejo
- 20 Davis / Broadway
- 21 735 Davis / Broadway
- 22 847 Front / Broadway & Vallejo
- 23 750 Front / Broadway & Pacific
- 24 Broadway / Battery & Front
- 25 900 Sausalito / Broadway
- 26 955 Sausalito / Broadway & Vallejo

- 27 350 Pacific / Battery & Sausalito
- 28 700 Sausalito / Pacific & Jackson
- 29 230 Clay / Battery & Front
- 30 Clay / Drumm, Davis & Front
- 31 Pier3
- 32 Embarcadero / Washington
- 33 1 Market / Spaul
- 34 121 Spear / Mission & Howard
- 35 75 Howard / Steuart & Spear
- 36 1 Bryant / Embarcadero / Beale
- 37 Pier26
- 38 Pier26
- 39 Pier30/32

FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

EXHIBIT F-1

© 1983 M. Daniels, Author

San Francisco Port District
0111

1" = 1/2" MILE
1" = 1/4" MILE

1" = 1/2" MILE
1" = 1/4" MILE

San Francisco Port District
0111

PARKING RATES SURVEY
As of May 1, 2015

	Location	Operator	Phone #	Monthly Parking			In/Out Pricing	Days / Week	Hour	Daily Pricing	Hourly Pricing	Covered / Uncovered
				Reserved	Non-Reserved	Vacancy						
1	Beach & Hyde Garage 454 Beach / Leavenworth & Hyde	Propark America	415-875-7255	-	\$175	No	Yes	M-F	24 hrs	\$30 all day, \$40 over night	\$0 1st hr, then \$7/hr	Covered
2	Anchorage Shopping Center Garage 500 Beach / Jones & Leavenworth	ACE Parking	415-515-1589	-	\$360	Yes	Yes	7 days	24 hrs	\$12 M-F, \$16 before 9am, out by 6pm	\$2 / 15 mins	Covered
3	Fisherman's Wharf Parking 271 Jones / Beach	Wharf Properties, Inc	415-845-0864	-	-	-	-	-	-	\$20 after 10am max all day	\$13.50/hr Weekday \$13.50/hr Weekend	Uncovered
4	Wharf Garage Beach / Taylor & Mason	Imparal Parking	415-227-0114	-	\$185 \$175	Yes Yes	Yes Yes	7 days 7 days	24 hrs 7am-7pm	\$20 max Weekday, \$25 max Weekend \$12 in before 9am M-F, \$20 S-S, \$25 Holiday	-	Covered
5	Longmont's Hill Parking Lot 400 North Point / Taylor	City Park	415-185-3069	-	-	-	-	-	-	\$15 Weekday, \$20 Weekend	-	Uncovered
6	Coast Plaza Garage 455 North Point / Taylor	ASU Parking	415-251-4450	-	\$175	Yes	Yes	7 days	7am-5pm	\$15 for 12 hrs (10/18 - 5/15) \$20 for 12 hrs (5/16 - 10/15)	\$4/hr (10/18 - 5/15) \$5/hr (5/16 - 10/15)	Covered
7	North Point Center Garage 250 Bay / Powell & Mason	Imparal Parking	415-227-0114	-	\$200	Yes	Yes	7 days	24 hrs	\$55 Daily Max	\$12/hr	Covered & Uncovered
8	Triangle Parking Lot 170 Jefferson	Central Parking	877-717-0004	-	-	-	-	-	-	\$33	\$10	Uncovered
9	Embarcadero / Stockton Pier 28 Garage	Ampco System	415795-5418	-	\$215 Pier 28 Rental only	No	Yes	7 days	24 hrs	\$45	\$9/hr	Covered
10	Bay / Embarcadero & Kearny	Central Parking	877-717-0004	-	\$220	No	Yes	7 days	24 hrs	M-F \$25 all day S-S: \$40 all day	-	Uncovered
11	80 Francisco	Imparal Parking	415271-0114	\$275 Tenant \$290 Non-Tenant	-	Yes	Yes	7 days	24 hrs	\$20 daily max \$16 S-S in before 9AM	\$2.15/min	Covered
12	55 Francisco	ACE Parking	415398-0206	\$340	-	Yes	Yes	7 days	24 hrs	\$22 in after 9am & out by 7pm \$18 in before 9am & out by 7pm	\$2.15/min	Covered
13	Larry Pava Garage Sacramento / Denmark	Ampco System	415-981-4213	\$400 \$350	-	Yes Yes	Yes Yes	7 days M-F	24 hrs 8am-11pm	\$25 for 12 hrs, \$40 after 12 hrs, \$18 in by 9am & out by 9pm	\$2.15/min	Covered
14	Pier 30	Priority Parking	415771-4042	\$500	\$115 Weekend \$300 Non-Weekend	Yes	Yes	7 days	24 hrs	-	-	Covered
15	Pier 26-12	Priority Parking	415-777-4042	-	-	-	-	-	-	\$25 flat rate, \$45 1st day	-	Covered
16	Pier 16-12	Priority Parking	777-4842	-	-	-	-	-	-	\$25 flat rate, \$45 1st day	-	Covered
17	SWH 321 Gannett / Front / Embarcadero	Priority Parking	777-4932	\$550	\$400	Yes	Yes	7 days	24 hrs	\$17 in by 9am, \$35 after 9am & out by 7pm \$45 after 9am, \$12 after 9pm & out by 7pm	\$2.15/min	Uncovered
18	SWH 322-1 Front / Broadway & Vallejo	Priority Parking	777-4932	\$550	\$400	Yes	Yes	7 days	24 hrs	\$15 in by 9am, \$20 before 9pm, \$40 after 9pm \$10 after 9pm, \$10 after 9pm & out by 7pm	-	Uncovered
19	SWH 323 Davis / Vallejo / Embarcadero	Priority Parking	777-4932	\$550	\$400	Yes	Yes	7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$30 after 11am, \$20 after 11am, \$20 after 11am, \$20 after 11am	-	Uncovered
20	SWH 324 Davis / Broadway / Embarcadero	Priority Parking	777-4932	\$550	\$400	Yes	Yes	7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$25 after 11am, \$20 after 11am, \$20 after 11am, \$20 after 11am	-	Uncovered
21	725 Drake / Broadway & Vallejo	West Coast Parking	758-8877	-	\$325	Yes	Yes	7 days	7am-5pm	\$15 after 9pm, \$20 weekend, \$45 2 hrs after 9pm	\$10 M-F \$15 S-S	Uncovered

PARKING DATES SURVEY
As of May 1, 2015

Location	Operator	Phone #	Monthly Parking				In-Park Parking		Hour	Daily Parking	Hourly Parking	Covered / Uncovered
			Reserved	Non-reserved	Vacancy	Spots / Package	Days / Week	Hour				
22 1671 Front / Broadway & Valdez	Pacific Park Mgmt	308-0428	-	\$325	Yes	Yes	M-F	8am-5pm		\$18	-	Covered
23 760 Front / Broadway & Pacific	Pro Park	374-2047	-	\$315	Yes	Yes	M-F	24 hrs		\$15 in before 8am, \$22 in after 8am	\$5 1st hr, \$3.75 (2nd-6th), \$3.00 (7th-10th)	Covered
24 760 Battery Parking Garage Broadway / Battery & Front	Amicus System	858-8148	-	\$340	Yes	Yes	M-F	7am-7pm		\$20 in after 7am & out by 7pm	\$2.50 / 20 mins	Covered
25 800 Sansone / Broadway	Liberty Parking	655-342-3010	-	\$300	Yes	Yes	M-F	8am-5pm		\$18 in before 9am & out by 7pm	-	Covered
26 805 Sansone / Broadway & Valdez	Liberty Parking	655-342-3010	-	\$300	Yes	Yes	M-F	8am-5pm		\$15 in before 10am, \$25 in after 10am	-	Covered
27 350 Pacific / Battery & Escondido	American West	950-8743	-	\$320	Yes	Yes	7 days	24 hrs		\$15 in before 10am, \$25 in after 10am	-	Covered / Uncovered
28 768 Sansone / Pacific & Jackson	California Parking	468-4860	-	\$410.00	Yes	Yes	7 days	24 hrs		\$15-\$18 in before 11am, \$20 in after 11am	-	Uncovered
29 Golden Gallery Garage 250 Clay / Battery & Front	Five Star Parking	433-4722	\$510	\$400	Yes	Yes	7 days	24 hrs		\$25 for 12 hrs	\$2.50 / 20 mins	Uncovered
30 Golden Gateway Center Garage Building 1, 2, 3 & 4	Amicus System	772-4670	\$650	\$425	Yes	Yes	7 days	24 hrs		\$36 after 8:30am, \$22 in before 8:30am	\$7 / hr	Covered
31 Harborview Landing Parking Lot Pier 3	Harborview Landing	778-8680	-	\$325	Yes	Yes	M-F	8am-12am		\$34, out by 12am	\$8 / 20 mins	Covered
32 Ferry Bldg Investors Parking Lot Uncovered / Washington St	Acas Parking	777-2292	-	-	-	-	-	-		\$20 8am-12am, \$17 in before 8am, out by 6pm	\$5 / hr	Uncovered
33 Market Garage Market / Espar	Acas Parking	777-2292	\$825	\$525	No	Yes	7 days	24 hrs		\$50 daily max, \$15 after 6pm	\$4.50 / hr	Uncovered
34 Phoenician Center Garage 121 Equestrian / Hudson & Howard	Standard Parking	882-9468	-	\$375	Yes	Yes	M-F	8am-10:30pm		\$44 8am-5pm	\$12 / hr	Covered
35 715 Howard / Standard & Espar	Acas Parking	543-2214	\$485	\$375	No	Yes	7 days	24 hrs		\$30	\$8 / 20 mins	Covered
36 Reynolds Lot 11 Reynolds St / Embarcadero & Buale	Impassal Parking	227-0114	-	\$250	No	Yes	7 days	24 hrs		\$31 daily max, \$22 in before 8am, out by 6pm	\$8 / 20 mins	Covered
37 Pier 26	Impassal Parking	227-0114	\$200 / \$225 / \$250	-	Yes	Yes	7 days	8am-10pm		\$18 in before 8:45am	-	Uncovered
38 Pier 26	Impassal Parking	227-0114	\$200 / \$275 / \$350	-	Yes	Yes	7 days	8am-10pm		-	-	Covered
39 Pier 30/32	Impassal Parking	227-0114	-	\$150	Yes	Yes	7 days	8am-11pm		-	-	Covered
										In by 6am is \$14, \$17 all day, \$4 for two hours	-	Uncovered

Exhibit G

Keyser Marston Associates Letter



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORIES IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SUN FRANKLIN
A. JERRY KEYSER
TODD C. KELLY
KATE EARLE FINE
DEBBIE M. KORN
REED T. KAWAHARA
DAVID DOZZI

LAN ANGLETON
KATHLEEN H. HIGG
JAMES A. RANK
GREGORY D. SOD-HUD
KEVIN E. SANDSTROM
JULIE L. RUMNEY

SAN DIEGO
PAUL C. MARSA

To: Jeffrey Bauer
Port of San Francisco

From: Keyser Marston Associates, Inc.

Date: May 7, 2015

Subject: Review of 2015-16 Port Minimum Rent Schedule

Introduction & Conclusions

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a review of the Port of San Francisco's May 26, 2015 memorandum regarding the "Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates." KMA has been tasked to review the Port's 2015-16 schedule for the purpose of assessing the reasonableness of the rents for office, industrial/warehouse, and parking facilities. Special events and filming rates are not included in KMA's assessment.

As further described in this memorandum, KMA concludes that the minimum office, industrial/warehouse, and parking rates recommended in the Port's 2015-16 schedule are generally reasonable and consistent with overall market trends.

Background & Approach

The Port of San Francisco is a lessor of a wide variety of real property including office space, industrial/warehouse space, parking spaces, paved and unpaved land, and space for special events and filming. The Port annually updates a schedule of minimum rents for a number of the Port's properties. New leases and lease renewals with terms that equal or exceed the minimum parameters contained in the schedule can be approved by the Port's Executive Director. Leases that fall outside the parameters of the schedule must be approved by the Port Commission.

To: Jeffrey Bauer
Subject: Review of 2015-16 Port Minimum Rent Schedule

May 7, 2015
Page 2

The purpose of the rent schedule is to set minimum rents, which are intended to approximate the lower end of market. In order to keep to a reasonable number the leases the Port Commission needs to review and approve while at the same time providing additional assurance that the minimum rents are consistent with the market. Port leasing staff is free to lease properties at the highest rate that it can achieve from a certain tenant, and in fact we understand that the majority of leases are successfully negotiated with rents above the minimums.

While it is the Port's mandate to maximize lease revenues, it is KMA's understanding that the Port also has a strong desire to retain small, local businesses as much as possible, especially those that are consistent with the public trust regarding waterfront land. Port staff's recommended minimum rents take both of these policy objectives into consideration.

In performing this assignment, KMA undertook the following tasks:

- Reviewed the Port's proposed 2015-16 minimum rental rate schedule;
- Assessed changes from the Port's 2014-15 rent schedule;
- Reviewed the current rent roll of Port properties;
- Reviewed and analyzed current rent listings and other market data; and
- Discussed the Port's recent leasing activity with Port staff.

We are generally familiar with the Port's properties and have performed "windshield" visual inspections of those properties in prior years.

Analysis

A. Office

Office market conditions in San Francisco have improved from last year. According to Q1 2015 broker reports from Cassidy Turley/DTZ, CBRE, Colliers, Cushman & Wakefield, and Newmark Cornish & Carey, the overall average asking rate for office properties in San Francisco (all classes) increased 10% to 15% year over year¹. The average office rent in San Francisco now stands at \$65/sq.ft./year (\$5.40/month) on a full service gross basis². The average full service rent for Class B space is about

¹ The reason for the percentage range is that the brokerage firms compute the average rent data somewhat differently from each other.

² When comparing office market rents with the Port's office rents, it is noted that many of the Port's rents are expressed on a triple net basis rather than on a full service gross basis. Triple net

To: Jeffrey Bauer
Subject: Review of 2015-16 Port Minimum Rent Schedule

May 7, 2015
Page 3

\$58/sq.ft. (\$4.80/month). The broker reports do not break out average rents for Class C office space.

Port leasing staff has indicated that certain of the Port's office properties have low vacancy rates and are in high demand, and on this basis staff recommends the minimum rents for many properties be increased from last year. Port staff is recommending that the minimum rents for many of the Port's office properties be increased in the range of 10% to 15% from last year, consistent with the overall trend in the San Francisco market. For other office properties which are in less demand due to physical conditions, layouts, location, and other factors, Port staff is recommending that the minimum rents remain unchanged from last year.

Based on a review of third party market data, review of Port lease data for specific properties, and discussions with Port leasing staff, KMA concurs with Port staff's 2015-16 minimum office rent recommendations. It is noted that among the factors that puts downward pressure on the Port's rents relative to the overall San Francisco office market is the more advanced age and less optimal physical condition of many of the Port's facilities as well as the fact that the Port has limited ability to fund up front tenant improvement costs.

B. Industrial/Warehouse

As with the office market, industrial market conditions in San Francisco have also improved from last year. Port staff reports that, in general, demand is high for its industrial/shed space despite the fact that some of the Port's properties have physical limitations such as a lack of truck height loading bays and large clear interior spans. In recognition of improved market conditions, Port staff is recommending that the minimum rents for many of the Port's industrial shed space be increased in the range of 10% from last year. With these increases, most of the new minimum rents would cluster in the \$1.00 to \$1.25/sq.ft./month range (on an industrial gross basis). According to Cassidy Turley/DTZ, the average industrial warehouse asking rent in San Francisco is currently \$1.11/sq.ft./month.

Based on a review of Port lease data for specific properties and discussions with Port leasing staff, KMA concurs with the Port's 2015-16 minimum industrial/warehouse rent recommendations.

rents are lower than full service rents because the tenant pays for taxes, insurance, and maintenance expenses in addition to rent.

To: Jeffrey Bauer
Subject: Review of 2015-16 Port Minimum Rent Schedule

May 7, 2015
Page 4

C. Parking

In May 2015, Port staff updated its survey of rates for parking facilities in the vicinity of the Port. Overall, Port staff's assessment is that market conditions have improved from last year. In order to reflect improved conditions in the market, Port staff is recommending that the minimum parking rates be increased by roughly 5% on the northern waterfront and 6%-7.5% on the southern waterfront. On the basis of the Port's survey of rates from competitive parking facilities and on the Port's current parking vacancy rate, which currently stands at 18%, KMA concurs with Port staff's 2015-16 parking rate recommendations.

Exhibit H: Synopsis of Port Leasing Policies

The Port Commission has delegated authority to Port staff to execute certain leases, licenses and memoranda of understanding that meet the following criteria:

1. Use Type:

The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for a retail use.

2. Use Consistency:

Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.

3. Assignments and Subleases:

Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases on a form approved by the City Attorney and provided the terms and the conditions of the sublease or assignment complies with the terms and conditions of the Lease.

4. As-Is Execution:

The tenant executes the Port's appropriate* standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.

5. Term Limits:

The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).

6. Select Tenant Improvement Allowance:

Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

7. Limited Early Entry:

One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34).

8. Compliance with City Laws:

The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.

9. Large Land Discount:

Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).

10. Rental Rates:

The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed and industrial space.

11. Reporting to Port Commission:

Port staff provides a monthly report to the Port Commission indicating Leases, Licenses, Memoranda of Understanding, consents to sublease, and assignments executed pursuant to this policy.

12. The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible. The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, and pier and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.

Office Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
Ferry Plaza					
Shelterbelt Builders, Inc	L-15881	2505	OFFICE-FS	328.00	2.66
Buchdrucker, Elliott D.	L-15905	2780	OFFICE-FS	1025.00	2.40
Adrienne Wong Associates	L-15779	1540	OFFICE-FS	213.00	2.00
Good Pastures MeatCo, Inc.	L-15767	2780	OFFICE-FS	536.00	2.62
MacPhee, Amie E.	L-15766	2780	OFFICE-FS	310.00	2.82
Scarborough Insurance Agency	L-15783	2780	OFFICE-FS	1945.00	2.30
Diamond Freight System, Inc.	15755	1500	OFFICE-FS	681.00	2.00
			Average Monthly Rate	\$	2.40
Garita, Barbara	L-15903	1540	OFFICE-NET	165.00	2.00
Apparel Sourcing and Production LLC	L-15891	1540	OFFICE-NET	302.00	1.60
Apparel Sourcing and Production LLC	L-15891	1540	OFFICE-NET	161.00	1.50
Community Access Ticket Service	L-15879	1540	OFFICE-NET	507.00	2.00
Haber, Danny J.	L-15887	1540	OFFICE-NET	236.00	2.00
Haber, Danny J.	L-15887	1540	OFFICE-NET	295.00	2.00
Thimble Bloelectronics, Inc.	L-15880	1540	OFFICE-NET	159.00	2.00
Thimble Bloelectronics, Inc.	L-15880	1540	OFFICE-NET	177.00	2.00
Shiffrair, Genevieve	L-15815	2780	OFFICE-NET	210.00	2.75
			Average Monthly Rate	\$	1.98
Northeastern Waterfront					
Warwick Properties Group, Inc	L-15854	3180	OFFICE-FS	615.00	3.25
			Average Monthly Rate	\$	3.25
Runfolia, John	L-15778	1090	OFFICE-NET	3325.00	3.10
Herman, Steven H.	L-15806	1351	OFFICE-NET	1553.00	2.75
			Average Monthly Rate	\$	2.93

Exhibit I

Office Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
South Beach					
Sasco, Inc.	L-15872	1280	OFFICE-NET	2256.00	2.25
				Average Monthly Rate \$	2.25
Southern Waterfront					
Buddy Rhodes Studio, Inc.	L-15844	2800	OFFICE-FS	439.00	1.25
Consolidated Limo Inc.	L-15818	2800	OFFICE-FS	156.00	1.25
				Average Monthly Rate \$	1.25
RDF Productions LLC	L-15894	2800	OFFICE-NET	4249.00	2.00
RDF Productions LLC	L-15894	2800	OFFICE-NET	1140.00	2.00
RDF Productions LLC	L-15894	2800	OFFICE-NET	15520.00	2.00
SFCC Municipal Transportation Agency	M-15747	3540	OFFICE-NET	1319.00	1.35
Pacific Bay Builders, Inc.	L-15797	2800	OFFICE-NET	536.00	1.25
				Average Monthly Rate \$	1.72

Exhibit I

Shed Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Ferry Plaza				
California Drywall Company	L-15914	1500	1574.00 \$	1.25
California Drywall Company	L-15914	1500	3184.00 \$	0.84
Shelterbelt Builders, Inc	L-15882	1500	3416.00 \$	1.25
Distillery No. 209 Ltd. Napa, California	L-15869	1500	890.00 \$	1.25
Overstreet Associates, Inc.	L-15870	1500	855.00 \$	1.25
Hadjout, Small	L-15776	1500	821.00 \$	1.25
Diamond Freight System, Inc.	15755	1500	2464.00 \$	1.25
Diamond Freight System, Inc.	15755	1500	1642.00 \$	1.25
Sian, Kuldip Singh	L-15785	1500	1660.00 \$	1.29
			Average Monthly Rate \$	1.21
Fisherman's Wharf				
San Francisco Maritime National Park Assoc.	L-15807	1451	2406.00 \$	1.30
Barnett, John	15801	1451	848.00 \$	0.30
Fontes, Mike	15802	1451	623.00 \$	0.30
Hodges, Sean	15803	1451	1275.00 \$	0.30
Kemp, David	15799	1451	402.00 \$	0.30
Papetti, Savior	15805	1451	850.00 \$	0.30
Reynolds, Robert	15804	1451	620.00 \$	0.30
Schwarz, Mark	15800	1451	850.00 \$	0.30
Tarantino, John	15798	1451	853.00 \$	0.30
			Average Monthly Rate \$	0.41

Exhibit I

Shed Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Northeastern Waterfront				
Autodesk, Inc	15886	1190	6383.00 \$	1.50
Art & Glass, Inc.	L-15843	1330	1230.00 \$	1.25
M.F.M. Seafood, Inc.	L-15841	1330	1221.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	381.00 \$	1.10
M.F.M. Seafood, Inc.	L-15841	1330	2477.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	5138.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	1200.00 \$	1.00
Andre-Boudin Bakeries, Inc.	L-15834	1330	1230.00 \$	1.00
Autodesk, Inc	15840	1090	755.00 \$	1.50
Autodesk, Inc	15840	1090	913.00 \$	1.50
E.A.N. Corporation	L-15256	1330	6074.00 \$	1.00
E.A.N. Corporation	L-15256	1330	4920.00 \$	1.00
Bobler, Richard A.	L-15781	1330	2460.00 \$	1.03
		Average Monthly Rate \$		1.14
South Beach				
Sasco, Inc.	L-15871	1260	4640.00 \$	1.00
The Bay Institute Aquarium Foundation	L-15884	1260	1750.00 \$	1.00
		Average Monthly Rate \$		1.00
Southern Waterfront				
Recology San Francisco	15909	1960	20000.00 \$	0.30
Ranger Pipelines, Inc.	L-15857	6019	4918.00 \$	0.55
SFCC Municipal Transportation Agency	M-15747	3540	25145.00 \$	0.85
West Cork Self Storage	L-15734	1800	2355.00 \$	0.87
		Average Monthly Rate \$		0.86

Exhibit I

Land Leases Effective From April 1, 2014 through March 31, 2015


Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
Ferry Plaza					
Affordable Self Storage, Inc.	L-15690	3490	LAND	74742.00	0.33
Affordable Self Storage, Inc.	L-15691	3490	LAND	144818.00	0.33
Rivera, Ernest		3490	LAND	3579.00	0.35
Rivera, Ernest		3490	LAND	3579.00	-
				Average Monthly Rate \$	0.25
Southern Waterfront					
Affordable Self Storage, Inc.	L-15831	3560	LAND	60000.00	0.27
Affordable Self Storage, Inc.	L-15831	3560	LAND	16320.00	0.27
Affordable Self Storage, Inc.	L-15831	3560	LAND	15809.00	0.27
Black & Veatch Corporation	L-15842	3520	LAND	130680.00	0.3
MJB Steel Products Co.	L-15899	1960	LAND	17625.00	0.36
Mann, Michael Patrick	L-15774	1900	LAND	1600.00	0.36
Ranger Pipelines, Inc.	L-15857	6019	LAND	37620.00	0.3
SFCC Municipal Transportation Agency	M-15747	3540	LAND	111949.00	0.35
Skanska USA Civil West California District, Inc.	L-15826	1940	LAND	67090.00	0.35
West Cork Self Storage	L-15734	1800	LAND	9108.00	0.36
				Average Monthly Rate \$	0.29



MEMORANDUM

June 18, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Peter Dailey 
Deputy Director, Maritime

SUBJECT: Request approval of the Operations Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies Aviation authority to operate its site at San Francisco International Airport as a Foreign Trade Zone No. 3 usage-driven site for a term of five years with one option to extend for four years and outlining conditions for the operation of the site

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Background

In March 2015, Port staff received a request to apply to the Foreign-Trade Zones Board ("FTZ Board"), on behalf of Aeroground, Inc. dba Menzies Aviation ("Menzies"), to establish a Foreign Trade Zone (FTZ) usage-driven site ("Operator Site") at a portion of its airfreight facility at San Francisco International Airport. Port staff subsequently submitted an application on March 12, 2015 on behalf of Menzies to establish this Operator Site. The FTZ Board notified the Port on May 28, 2015 through Board Administrative Action No. S-074-2015 that usage-driven site status has been approved for the facility.

"Usage-Driven Site" is a relatively new term created with the implementation of the FTZ Board's Alternative Site Framework ("ASF") program in 2009. The Port of San Francisco applied for its Foreign Trade Zone No. 3 ("FTZ No. 3") to participate in the ASF program in 2010 for San Francisco and San Mateo Counties and then to expand this ASF "Service Area" to five additional North and East Bay Counties in 2012. The ASF program gives FTZ Grantees like the Port of San Francisco the ability to easily bring FTZ designation to single operator/user locations within their local service area. Usage-driven sites are company-specific, and can be designated within thirty days by a simplified process known as Minor

This Print Covers Calendar Item No. 7B

Boundary Modification. The FTZ usage-driven site designation is generally limited to the space needed by the company for the FTZ activities, and in this case the Menzies site will be limited to a 13,457 square feet parcel of their airport facility.

Menzies will operate the usage-driven site pursuant to the proposed Operations Agreement, a copy of which is on file with the Secretary of the Port Commission ("Agreement"). The Agreement confirms that the Port of San Francisco owns the grant of authority for FTZ No. 3, and the Port is providing Menzies authority to operate its airport site under our grant of authority as an FTZ No. 3 usage-driven site for a term of five years, with one option to extend for four years at Port's sole discretion. Menzies assumes responsibility under the Agreement for operation and management of the usage-driven site in conformance with all FTZ Board and U.S. Customs and Border Protection ("CBP") regulations and guidelines, and all other local, state and federal laws, rules, and regulations applicable to foreign trade zone and usage-driven site operations. Menzies agrees to indemnify, protect and save harmless the Port of San Francisco and any and all of its commissions, boards, officers, Agents and employees. Failure to operate the Operator Site in accordance with these regulations will constitute a material default, which shall permit Port to immediately terminate this Agreement by written notice to Menzies. CBP is the oversight agency ultimately responsible for ensuring conformance to regulations. Representatives of FTZ No. 3, the FTZ Board, CBP, and other authorized U.S. Government officers shall have the right to enter the Operator Site to determine whether the business is being conducted in accordance with regulations and the procedures established with this Agreement.

Any operating costs or capital improvements associated with the Operator Site will be Menzies' responsibility. No public funds will be required to fund the Operator Site project.

The Port's FTZ No. 3 Zone Schedule (tariff) provides for a \$5,000 Application Processing Fee, already received from Menzies, which covers the Port's expenses for obtaining the necessary approvals for the Operator Site, submission of the site application to the FTZ Board and any necessary support required in the application process. The Zone Schedule also provides for a \$2,000 Activation Fee and \$14,000 Annual Fee, as adjusted periodically, which covers Port staff administrative expenses including preparation of an Annual Report to the FTZ Board summarizing FTZ No. 3 annual activities as required under FTZ Board regulations.

Discussion

Foreign trade zones were established by the U.S. Congress in The Foreign-Trade Zones Act of 1934 to stimulate economic development in communities by providing businesses with economic advantages to conduct international trade activities in the United States, versus foreign locations, thus increasing the availability of local jobs and exports. In 1948, the Port of San Francisco received a FTZ Board Grant of Authority to establish, operate and maintain a foreign trade zone. In granting such a designation, the Act allows for the establishment of usage-driven sites, such as logistics service providers like Menzies.

The Foreign-Trade Zones Act provides for "...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for

other purposes," and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing FTZ sites in or adjacent to U.S. Customs and Border Protection ports of entry. Article VII of the Transfer Agreement and Charter Section B3.581(o) authorize the Port of San Francisco "to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority."

The use of foreign trade zone procedures at their airport facility will help Menzies' distribution operations improve its international competitiveness by allowing the company to realize certain administrative and customs cost savings as well as take advantage of global supply chain efficiencies inherent to the FTZ admission and entry processes.

The Port Commission approved a usage-driven site agreement with Expeditors International of Washington, Inc. for its site in Brisbane, California under Resolution 13-49 (December 12, 2013). The Menzies site would be the second usage-driven site established under FTZ No. 3's new Alternative Site Framework designation. FTZ activities Menzies proposes to conduct at the usage-driven site include receiving, unpacking, repackaging, quality control inspection, and warehouse distribution related operations. The operations will not effect changes in customs tariff classification, quota category or country of origin of any merchandise admitted to the zone site.

The FTZ Board processed the Port's application, and found that the requirements of the FTZ Act and Board's regulations would be satisfied, and that the proposal would be in the public interest, and therefore granted authority for usage-driven site status through their Board Administrative Action No. S-074-2015 dated May 28, 2015 (Attachment 1).

Recommendation

Staff deems it practicable to limit Port participation as Zone Grantee in the everyday operations of the Operator Site. Menzies is the lessee of the site under agreements with San Francisco International Airport and will undertake the operational management of FTZ activities, on its own behalf, pursuant to the authority extended by the Zone Grantee and subject to all applicable federal, state and local regulations, statutes and ordinances. The Agreement outlines conditions for the operation of the Operator Site.

Port staff recommends that the Port Commission approve this resolution authorizing execution of the Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies authority to operate its site at San Francisco International Airport as an FTZ No. 3 usage-driven site for a term of five years, with one Port option to extend for four years, and outlining conditions for the operation of the usage-driven site.

Prepared by: Jim Maloney, Maritime Marketing Manager
For: Peter Dailey, Deputy Director, Maritime

Attachments:

- 1) Foreign-Trade Zones Board Administrative Action No. S-074-2015 approving usage-driven site status at the facilities of Aeroground Inc., dba Menzies Aviation at San Francisco International Airport, California

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-22

- WHEREAS, The grant of authority for Foreign Trade Zone No. 3 ("FTZ No. 3" or the "Zone") was issued to the San Francisco Port Authority, the State of California's predecessor port agency prior to its transfer to the City and County of San Francisco, by the Foreign-Trade Zones Board ("FTZ Board") on March 10, 1948 under Board Order No. 16; and
- WHEREAS, Article VII of the Transfer Agreement and Charter Section B3.581(o) authorize the Port of San Francisco "to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority;" and
- WHEREAS, As grantee of the FTZ No. 3, the San Francisco Port Commission ("Zone Grantee") has certain responsibilities to establish and maintain the FTZ No. 3 as stated in the FTZ Board regulations; and
- WHEREAS, The Foreign-Trade Zones Act provides for "...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes," and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing foreign-trade zone sites in or adjacent to U.S. Customs and Border Protection ports of entry; and
- WHEREAS, Aeroground, Inc. dba Menzies Aviation (the "Usage-Driven Site Operator") desires to make use of foreign trade zone status and wishes to activate its site at San Francisco International Airport described in its application to the FTZ Board; and
- WHEREAS, The Port of San Francisco has made application to the FTZ Board for authority to establish a usage-driven FTZ site ("Operator Site") at the San Francisco International Airport site (filed March 12, 2015); and
- WHEREAS, The FTZ Board found that the requirements of the FTZ Act and Board's regulations would be satisfied, and therefore granted authority for usage-driven site status through its Board Administrative Action No. S-074-2015 dated May 28, 2015; and
- WHEREAS, The Port, as Zone Grantee, deems it practicable to limit its participation in the everyday operations of the Operator Site; and
- WHEREAS, The Operator Site is an approved site of FTZ No. 3, as designated under FTZ Board Administrative Action No. S-074-2015 of May 28, 2015; and

- WHEREAS, Usage-Driven Site Operator is the lessee of the Operator Site and wishes to undertake the operational management of FTZ Usage-Driven Site activities, on its own behalf, pursuant to the authority extended by Zone Grantee; and
- WHEREAS, The Port and Usage-Driven Site Operator have negotiated an agreement granting Usage-Driven Site Operator exclusive authority to operate the Site for a term of five years, with one option to extend for four years in Port's sole discretion, a copy of which is on file with the Secretary of the Port Commission (the "Agreement"); and
- WHEREAS, Under the Agreement, Usage-Driven Site Operator agrees to pay the Port as Zone Grantee a \$14,000 Annual Fee that will cover Zone Grantee expenses for oversight of the Operator Site and submission of the Annual Report summarizing FTZ No. 3 annual activities to the FTZ Board, now, therefore, be it
- RESOLVED, That the Port Commission hereby approves the Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies exclusive authority to operate a portion of its leased site at San Francisco International Airport as a Foreign Trade Zone No. 3 Usage-Driven Site and authorizes the Executive Director to execute the Agreement; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to exercise the extension option in her discretion and to enter into any additions, amendments or other modifications to the Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of June 23, 2015.

Secretary



United States Department of Commerce
The Foreign-Trade Zones Board
Washington, D.C. 20230

May 28, 2015

Jim Maloney
Maritime Marketing Manager
Port of San Francisco
Pier 1, Embarcadero
San Francisco, California 94111

S-074-2015

Dear Mr. Maloney:

This is to inform you that your request for a minor boundary modification of Foreign-Trade Zone 3, San Francisco, California, under the alternative site framework (ASF) is approved pursuant to Section 400.38 of the Foreign-Trade Zones Board's regulations.

The request involves establishing a usage-driven site for the sole use of Aeroground, Inc. dba Menzies Aviation. The site is located at 900 N. Access Road, Door 6, South San Francisco, San Mateo County (0.3 acres) and will be designated as Site 7.

This change will not result in an expansion of the scope of authorized zone activity and is consistent with the ASF zone plan approved by the Board in October of 2010. This action does not imply authority for any production activity requiring advance approval by the FTZ Board.

The requested minor boundary modification is approved effective this date subject to an ASF sunset provision that would terminate authority for the site on May 31, 2018 (and again every three years thereafter) if no foreign non-duty paid merchandise is admitted to the site for a *bona fide* customs purpose during the sunset period. Further, if Aeroground, Inc. dba Menzies Aviation vacates the site, the usage-driven designation will automatically self-terminate.

We have enclosed the revised site description for FTZ 3. We ask that you retain the application and approval documents in your zone file and update your zone records in accordance with the FTZ Board regulations (15 CFR Sec. 400.51).

Sincerely,

Andrew McGilvray
Executive Secretary

Enclosure

cc: Ricardo Scheller
Area Port Director
U.S. Customs and Border Protection

Site Description
Foreign-Trade Zone 3
San Francisco, California
S-074-2015

Site 2:

- the jet fuel storage and delivery facilities at the San Francisco International Airport;
- the Chevron jet fuel tank farm (8.5 acres), the PS Trading tank farm (1 acre) and related pipelines between the tanks farms;
- jet fuel transmission pipelines and the terminal and cargo area hydrant pipelines;
- the petroleum and jet fuel storage facilities (26 acres) at the Brisbane Terminal (owned by SFPP, L.P.), 950 Tunnel Avenue, Brisbane; and,
- the petroleum and jet fuel storage facilities (7 acres) at the Equilon Terminal (owned by Equilon Enterprises LLC), 135 North Access Road, South San Francisco, including the 4.7 mile segment of the SFPP jet fuel pipeline from the two terminals to the airport. (sunset 10/31/2013);

(The City of San Francisco owns fuel facilities at the airport and the land on which the Chevron tank farm and the PST tank farms are located (the companies own the improvements).

Site 3: (55 acres) - the petroleum facilities of Selby Terminal (owned by Shore Terminals LLC), 90 San Pablo Avenue, Crockett (Contra Costa County) (sunset 10/31/2013);

Site 4: (164 acres) - the petroleum facilities of Martinez Terminal (owned by Shore Terminals LLC), 2801 Waterfront Road, Martinez (Contra Costa County) (sunset 10/31/2013);

Site 5: (0.27 acres) - Expeditors International of Washington, Inc., 425 Valley Drive, Brisbane (San Mateo County) (sunset 11/30/2015);

Site 6: (15.5 acres) – Coda Automotive Company, 2050 Park Road, Benicia (Solano County) (sunset 04/30/2016);

Site 7: (0.3 acres) – Aeroground, Inc. dba Menzies aviation, 900 N. Access Road, Door 6, South San Francisco (San Mateo County). *

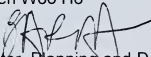
* indicates changes made through this action



MEMORANDUM

June 18, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon, Vice President
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Byron Rhett 
Deputy Director, Planning and Development

SUBJECT: Request a fee waiver for a revocable license that allows the Consulate General of Mexico to install a temporary public art installation at Harry Bridges Plaza on The Embarcadero at Market Street for three months

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

The Consulate General of Mexico in San Francisco ("Consulate of Mexico") and Jose Rivelino Moreno Valle ("Rivelino"), a Mexican born artist, propose to install and maintain a temporary public art installation on Port property at Harry Bridges Plaza (the traffic median on The Embarcadero between the north and south bound traffic lanes adjacent to the Ferry Building) from July 15, 2015 to October 15, 2015. Please find attached a site location map and a photo simulation of the proposed installation in Harry Bridges Plaza.

The proposed installation is referred to as Nuestros Silencios or Our Silences. This installation would be consistent with the Port's public trust responsibility of providing facilities that attract people to the waterfront.

The Consulate of Mexico has requested a license fee waiver for this installation. The attached resolution outlines justifications for this license fee waiver request, should this request be granted. If the Port Commission grants this license fee waiver request, the Port would enter into a revocable license on the Port's standard license form with the Consulate of Mexico.

This Print Covers Calendar Item No. 8A

Project Description

The Consulate of Mexico and Rivelino are touring Nuestros Silencios (which means Our Silences) sculptures to deliver a message about freedom of expression. Each sculpture has a metal plate covering its mouth as an allusion to censorship. The artist hopes the installation will prompt reflection about the importance of speaking out. This installation toured Europe (Russia, Germany, London, Rome and Portugal) in 2009-2011. The most recent installation was in Ruocco Park at the Port of San Diego in January 2015. This San Francisco installation is planned to coincide with the "Mex I am" festival in San Francisco, an annual festival that showcases the best of performing arts, culture, and ideas from Mexico. This festival will have events at the Mexican Museum in Fort Mason and Yerba Buena Gardens Museum from July 19 to July 26, 2015.

Nuestros Silencios is an 11 piece installation with 10 bronze human figures that are 11.5 feet tall, and weigh approximately a ton each. They are made with a lost wax bronze technique and white ochre patina. The 11th piece of the installation is a cubic sculpture referred to as "Braille Box" made of iron that explains the installation. It contains four small format pieces based upon the human figures that can be touched and were created specifically for persons with visual disabilities.

The sculpture pieces would be located in Harry Bridges Plaza, in the median on The Embarcadero roadway between the north and southbound traffic lanes at the terminus of Market Street and in front of the Ferry Building. The proposed installation would be north of the Millennial light tower on the Plaza and away from the Plaza's main pedestrian circulation zone. This plaza area has previously been used for various activities most recently for bike valets, special event tents and tables, and artists' stalls. There are no current plans to use this location for any purpose during the proposed installation time frame. The proposed installation layout will provide room for visitors to walk around the installation sculptures and not conflict with pedestrians crossing The Embarcadero at Market Street. Please find attached a site location map and a photo simulation of the proposed installation at Harry Bridges Plaza.

Permitting

For this installation, the Consulate of Mexico is required to submit an approvable Port encroachment permit. This permit requires stamped engineering drawings, proof of liability insurance, and compliance with the Port's maintenance and removal requirements for improvements along the waterfront and with the Americans with Disabilities Act requirements for installations in public spaces.

This public art installation is exempt from the California Environmental Quality Act ("CEQA") evaluation under CEQA exemption Class 4: Minor Alterations to Land. This installation does not fall within the San Francisco Bay Conservation and Development Commission's ("BCDC") jurisdiction, but has been shared with BCDC staff and they are supportive of the installation.

Schedule

If approved, the Consulate of Mexico would install and display the Nuestros Silencios sculpture in July 2015 and remove the sculpture and restore the Harry Bridges Plaza site by October 15, 2015.

Project Request and Property Agreement

The Consulate of Mexico and Port staff requests approval of the attached resolution allowing installation of the Nuestros Silencios sculpture in Harry Bridges Plaza from July through October 2015, and a Port license fee waiver.

If the Port Commission approves this license fee waiver, the Port would enter into a revocable license on the Port's standard license form with the Consulate of Mexico. This license would include all standard Port license requirements including indemnification, security deposit, and liability insurance and acceptance of all responsibilities for installation maintenance and graffiti removal for the installation term.

The Port Commission has previously waived license and permit fees for public art installations when the installations have met the following conditions: (1) the installation location cannot be leased for another use during the same time frame; (2) the installation does not require an expenditure of Public Trust funds; and (3) the installation is considered a benefit to the Trust. Port staff believes that the Nuestros Silencios installation meets these criteria.

If the Port Commission waives the license fee for this installation, the Port would be a partner in sponsoring the display of this sculpture by allowing Harry Bridges Plaza to be used for this installation. To support this installation, the Consulate of Mexico and Rivelino will cover the costs of the installation, maintenance, and removal.

Prepared by: Kanya Dorland, Planner

For: Byron Rhett, Deputy Director
Planning and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

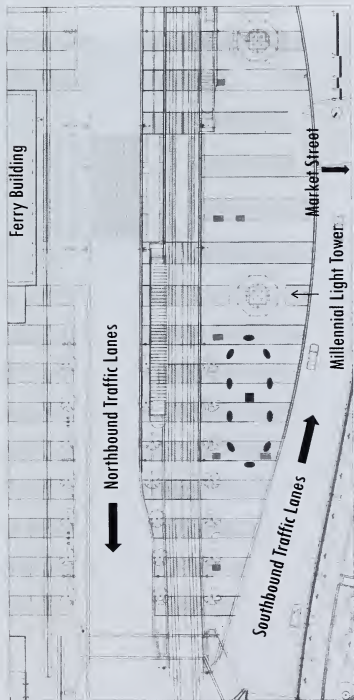
RESOLUTION NO. 15-23

- WHEREAS, The Consulate General of Mexico in San Francisco ("Consulate of Mexico") and Jose Rivelino Moreno Valle ("Rivelino"), a Mexican born artist, are proposing to temporarily locate a sculpture known as *Nuestros Silencios* on Port property in a plaza area known as Harry Bridges Plaza between the north and south bound traffic lanes on the Embarcadero at Market Street; and
- WHEREAS, The Consulate of Mexico and Rivelino have toured this installation in Europe and now the United States to deliver a message about freedom of expression; and
- WHEREAS, Harry Bridges Plaza provides a suitable site with the appropriate prominence for public art; and the Port has no other commercial use for the Harry Bridges Plaza space during the term of the license that would generate revenue to the Port; and
- WHEREAS, Port staff intends to negotiate a revocable license agreement with the Consulate of Mexico on the Port's standard license form allowing the placement, operation, maintenance and removal of the *Nuestros Silencios* sculpture at Harry Bridges Plaza for a three month term from July 15, 2015 to October 15, 2015; and
- WHEREAS, Consulate of Mexico and Rivelino have sought and Port agrees that the license fee should be waived as the Port is a partner in sponsoring the display of the sculpture; the Port will not expend any trust resources or revenue to support the installation; and the installation provides a benefit to the Public Trust by enlivening the waterfront and attracting people to the waterfront and raising awareness of the waterfront and its public benefits and amenities; and
- WHEREAS, The proposed permitted use in the license, which is temporary art installation is exempt under California Environmental Quality Act Classification Class 4: Minor Alterations to Land; now, therefore be it
- RESOLVED, The Port Commission authorizes the Executive Director of the Port or her designee, to enter into a license with the Consulate General of Mexico on the terms described in the Memorandum dated June 18, 2015 for a term of three months; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the license and any additions, amendments or other modifications thereto that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the license contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the license, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 23, 2015.

Secretary



"OUR SILENCES" SCULPTURE INSTALLATION

LAYOUT PLAN

Public Art Installation at Harry Bridges Plaza

Port of San Francisco



"OUR SILENCES" SCULPTURE INSTALLATION

INSTALLATION RENDERING

Public Art Installation at Harry Bridges Plaza

Port of San Francisco



MEMORANDUM

June 18, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Eunejune Kim
Chief Harbor Engineer

SUBJECT: Authorization to execute a Contract Modification to Construction Contract No. 2746, Maintenance Dredging 2011-2015 Project with Dutra Dredging Company, to increase the contract amount by \$1,200,000 to a total contract amount of \$17,101,050

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution.

Executive Summary

Port staff requests that the Port Commission authorize staff to execute a contract modification to increase the amount of construction Contract No. 2746, Maintenance Dredging 2011-2015, with Dutra Dredging Company. The maintenance dredging contract covers a five-year period from 2011 through 2015 and provides for dredging at multiple sites along the San Francisco waterfront. The authorized contract amount (inclusive of 10% contingency) is \$15,901,050 of which \$12,892,552 has been expended. When the original dredging contract was approved in 2011 by the Port Commission (Resolution no. 11-25¹), the Port's hosting of the 34th America's Cup was not yet known. Subsequently, as part of the operational requirements of the America's Cup, dredging was required at Piers 30/32 thus increasing our dredging expenses. Therefore, our remaining contract funds are insufficient for upcoming dredging events at Pier 35 and Pier 27 which are scheduled to be dredged between October and November of 2015. The requested increase of \$1,200,000 in contract value is necessary to complete the originally contemplated dredging activities for this calendar year and the contract period.

¹ <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1323>

This Print Covers Calendar Item No. 9A

Strategic Objective

Approval to modify Contract No. 2746 will allow necessary maintenance dredging to provide navigable waterways to support the Port's maritime business.

Background

The Maintenance Dredging Contract serves to maintain the various active berths along the San Francisco waterfront that support the Port's maritime business. As such the Port annually dredges up to three berths to ensure working depths are navigable and useable for safe vessel traffic maneuvering and berthing procedures. Based on previous years of dredging, the Maintenance Dredging Contract (2011-2015) was anticipated to accommodate approximately 2 to 3 maintenance dredging episodes per year with approximately 100,000 to 250,000 cubic yards being dredged each year. However, in order to expedite construction necessary to ready the Port's facilities for the 34th America's Cup, dredging south of Piers 30/32 was necessary and was executed under the Maintenance Dredging Contract No. 2746. These associated costs were not anticipated to be included or implemented under the Maintenance Dredging Contract. Had the Port not incurred these costs associated with 34th America's Cup event, the remaining contract balance and 10% contingency reserve would have been adequate to accommodate the remaining projects for 2015 and through the end of the contract term.

A new five-year contract for Maintenance Dredging will be let later this year.

Local Business Enterprise ("LBE") Participation

There is limited use of LBE firms for the scope of work involved in this contract modification. There are no known LBE's certified by the City's Contract Monitoring Division ("CMD") with the expertise, licensing, or insurance necessary to conduct dredging operations.

As reported in prior contracting reports, the 3% CMD LBE subcontracting goal was set based on the estimated need to transport contaminated dredge spoils for landfill disposal. Little of the Port dredging work has required landfill disposal of dredged spoils. Based on the locations of the planned dredging work and proposed scope, the Port expects that dredge spoils will not need to be trucked. The current scope of work does not include work that can be performed by a Small or Micro LBE firm. Therefore, the Contractor will most likely not have the opportunity to meet the 3% goal over the life of the contract.

CMD staff has approved the contract modification for this project because of the Port's need to complete the planned dredging work. Port staff will continue to work collaboratively with CMD to identify economic opportunities that may become available for LBEs on this project.

Climate Action

Sea Level Rise is not expected to cause any issue during the term of the proposed contract modification. Work under this contract modification is anticipated to be complete by the end of this calendar year.

Funding

The Summary below shows the contract funding to date, cost incurred to date, projects that are encumbered or projected to be conducted in 2015, new funding to be provided through contract modification, and new contract maximum amount:

Contract Amount Authorized to Date (inclusive of 10% Contingency)	\$15,901,050.00
Contract Amount Expended to date	\$12,892,522.00
Balance left in the Contract	\$3,008,528.00

Encumbered or Projected 2015 Dredging Costs

SFPUC Pump Station Outfall sediment removal	\$220,000.00
Piers 94/96 dredging	\$484,000.00
Piers 27, 35 East, and 35 West dredging	\$3,504,528.00
Total Anticipated Dredging Costs for 2015	\$4,208,528.00

Additional Contract Amount needed (=\$4,208,528.00-\$3,008,528.00)	\$1,200,000.00
Total New Contract Amount to be Authorized (=\$15,901,050+\$1,200,000.00)	\$17,101,050.00

Summary

Staff recommends that the Port Commission authorize the execution of a contract modification to increase the contract amount of Contract No. 2746 by the sum of \$1,200,000, which would result in a new contract amount of \$17,101,050. This increase is required to fund the Port's dredging projects through 2015, which will maintain operation of several berths critical to the Port's maritime operations.

Prepared by: John Davey
Assistant Deputy Director
Maritime

Ken Chu
Project Engineer

For: Euneeune Kim, P.E.
Chief Harbor Engineer

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-24

- WHEREAS, The Port Commission, at its meeting on April 26, 2011, adopted Commission Resolution 11-25, authorizing staff to award Construction Contract No. 2746, Maintenance Dredging 2011-2015 Project, to Dutra Dredging Company for the total contract sum not to exceed \$15,901,050; and
- WHEREAS, To date \$12,892,552 of the contract amount has been expended on dredging projects, leaving an available contract balance of \$3,008,528 which is insufficient to complete the scheduled 2015 calendar year scope of work; and
- WHEREAS, Port staff desires to increase the Maintenance Dredging contract amount by \$1,200,000, which would result in a new authorized contract amount of \$17,101,050; and
- WHEREAS, The new contract amount will enable the Port to direct Dutra Dredging Company to conduct scheduled dredging work in 2015 at Pier 35 and Pier 27, which are critical to the Port's maritime operations, and other locations to be determined by staff; now, therefore be it
- RESOLVED, That the Port Commission hereby authorizes staff to execute a Contract Modification for the Contract No. 2746, Maintenance Dredging 2011-2015 Project with Dutra Dredging Company, to increase the contract amount by the sum of \$1,200,000, resulting in a new authorized contract amount of \$17,101,050.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of June 23, 2015.

Secretary



MEMORANDUM

June 18, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Peter Dailey *Peter Dailey*
Deputy Director, Maritime

SUBJECT: Status report on the James R. Herman Cruise Terminal and Pier 35
Activity for the period of September 2014 to June 2015

DIRECTOR'S RECOMMENDATION: Informational Only

Executive Summary

The James R. Herman Cruise Terminal at Pier 27 welcomed its first cruise vessel, *Crown Princess*, on September 18, 2014. Since then, the Port has received 64 additional ship calls with approximately 227,000 embarking and disembarking passengers. On non-cruise days, the terminal has been utilized for civic and corporate events, including several from San Francisco's growing technology sector. The facility has hosted 26 special events with one of the first being the San Francisco Giants' celebration of their participation in the 2014 World Series. This represents a very strong start.

The new terminal and plaza transformed Pier 27 from an underused view-blocking warehouse to one of San Francisco's civic jewels. Public access includes the 2½-acre Cruise Terminal Plaza. Visitors and residents have a new public space that allows them to get close to the ocean-going ships that are berthed adjacent to the plaza. This project represents the largest Port investment since the Harbor Commission constructed the seawall, historic bulkhead buildings, and finger piers over 100 years ago. It provides the City with an opportunity for transportation, employment, exploration, and recreation at a site that also is a premier event venue.

The terminal has garnered civic recognition with the San Francisco Business Times 2015 "Best Public Infrastructure" award and SPUR's "Good Government" team project

THIS PRINT COVERS CALENDAR ITEM NO. 9B

award for managing, designing, financing and project implementation to create a LEED-certified, world-class cruise terminal. The terminal was designed and constructed using sustainable design practices including energy reduction technology, storm water processing and rainwater reuse. When installed in 2013 San Francisco was the first cruise port in California and only one of a handful in the world to employ shoreside electrical power for cruise ships.

Both the Port and Pacific Cruise Ship Terminals (PCST), the Port's terminal management operator, have learned much in the past nine months regarding the operation of the facility. Port staff and PCST have met and interviewed various users of the terminal, including passengers, cruise lines, event planners, and members of the public, to seek feedback to continuously improve the customer experience. The logistics of operating a new terminal in the Northern Waterfront on the heavily traveled Embarcadero has been challenging, but Port staff believes terminal operations will steadily improve once initiatives described in this report are fully implemented.

The Port Commission requested this informational update to review early financial and operational performance of the cruise terminals since the opening of the new James R. Herman Cruise Terminal at Pier 27. This report reviews in depth the early financial performance from September 18, 2014 – June 30, 2015 and discusses initiatives to continually improve financial and operational outcomes. Port staff believes early performance shows that the cruise facilities, with continued careful management, could reach a break even or positive position for the Port while continuing to deliver significant economic benefits to the region.

Financial Overview

Cruise terminals typically function as loss leaders – generating low or negative facility net revenue but generating significant revenues and creating jobs for the local economy. Under Executive staff and Port Commission leadership, the Port has sought innovative solutions to strive for the cruise terminals to break even or achieve a positive financial position for the Port. In April 2013, Port staff presented financial projections and strategies for maximizing revenues of the cruise facilities to the Port Commission. Port staff refined projections for the lease approval in September 2014 based on finally negotiated business terms (see Table 1 below). This report reviews financial performance of the cruise facilities in the first nine months of operation of the James R. Herman Cruise Terminal as compared to Port staff projections (base projection) corrected for timing.

Staff estimates cruise activity in FY 2014-15 will generate total economic activity¹ of approximately \$76 million for the entire Bay Area, or approximately \$1 million per cruise call². Of the \$76 million, \$55 million occurs within San Francisco and is estimated to generate approximately \$220,000 per year in tax revenue to the City. Although these

¹Total economic activity includes (a) the direct spending by passengers, crew members, and the cruise lines, (b) the indirect spending by the vendors supplying the passengers, crew members, or cruise lines, and (c) induced spending by the employees of those vendors.

²During the review period: September 18, 2014 – June 30, 2015, the Port received 65 cruise calls. Between July 1, 2014 and September 17, 2014, Pier 35 received 11 calls, bringing the FY 2014-15 cruise call volume to 76 calls.

economic and tax benefits are significant to the local and regional economy, because they don't accrue to the Port, they are not analyzed in this report.

The cruise facilities have high fixed costs derived from annual debt service payments of \$3.9 million which repay the Port's \$59.2 million debt investment in the facility³ over 30 years and annual dredging costs of approximately \$3.8 million, regardless of cruise or special event activity. Given these high fixed costs, the key to maximizing revenue and achieving a breakeven or positive position is for the Port to program special events and parking, including valet parking at Pier 35, on as many non-cruise days as is possible.

The central mission of the facilities – to welcome cruise calls – aligns with the economics. Cruise calls generate more revenue to the Port than special events and parking (\$19K versus \$15K average daily Port revenue). However, the cruise business is seasonal with an estimated low of 66 cruise calls and a conservative high of 90 cruise calls. Given the needed preparation for security and to mobilize and demobilize staffing, this leaves between 233 and 185 days that the terminal is available for special events and parking assuming an efficient two day turn.⁴ However, the ability to effectively manage the turnaround time for cruise calls within the constraints of security requirements, and coordinate advanced scheduling for both cruise and special events that have similar high seasons, is a difficult task. PCST's ability to meet these challenges is critical to maximizing revenue.

Port staff negotiated and the Port Commission approved a lease with PCST that provides the economic structure for revenue sharing of cruise, special events and parking revenue between the Port and PCST. The approved lease also gives incentives to PCST to increase the number of cruise calls since doing so benefits the Port's bottom line. The \$180,000 Terminal Operating Fee which PCST pays the Port annually is reduced to \$120,000 if the cruise facilities receive between 88-92 cruise calls, and \$60,000 if the facilities receive between 93-97 cruise calls, and \$0 if the facilities receive 98 or more cruise calls. The Port's major source of revenue is from the passenger fee which was raised from \$12 to \$18 per passenger.

Table 1: Revenue Sharing

Business Line	PCST	Port
Cruise Calls	0 (Excluding cruise stevedoring and terminal management revenues)	100% Dockage, Wharfage and Passenger Facility Charges
Parking	47.5% Gross Revenue net of Parking tax	52.5% Gross Revenue net of Parking tax
Special Events	50% Gross Revenue	50% Gross Revenue

³ The total project cost was \$115.3 million of which \$20.1 million was contributed from the Watermark land sale, \$59.2 million from issuance of Port debt, \$6.7 million from Port cash, \$17 million from Park GO bond proceeds, \$6.5 million from a FEMA grant, \$4.9 million from a General Fund contribution, and \$0.8 million from America's Cup Organizing Committee donation.

⁴ Due to security and operational needs, the operator on average needs 1 day before a cruise call, and at least 0.5 day after the call where the facility is vacant. During the first nine months of operation the average time in port for a cruise call was 14.2 hours.

Financial Performance

The most important revenue stream – Cruise – is strong. The number of cruise passengers is consistent with projections and related revenues are slightly lower than expected and other revenues from special events and parking, while showing a negative variance, will likely grow to meet the base projections. Operating expenses are generally on track, with the exception of costs for traffic calming and control, which the Port has strategies to address as described below. The fixed cost of debt service is \$308K below base projections based on the lower than anticipated interest rate achieved in the 2013 Port Revenue Bond sale. However, dredging expenses are 21% higher than anticipated in the current year and are projected to increase to \$3.9 million annually which is 50% higher than anticipated.

The negative variance of \$575K overall is the result of higher than estimated dredging costs and lower revenue from this being the first year the new terminal is open. The significant increase in dredging costs is because Port staff assumed in the base projection that dredge material would be disposed of offshore. As Port staff noted when the base projection was first presented to the Port Commission, if materials were deposited upland as is increasingly required by the U.S. Army Corps of Engineers, the price would increase more than 50%. Port staff has near and longer term strategies to mitigate increasing dredging costs which are outlined below. These strategies will benefit the financial performance of the cruise facilities and also will benefit the Port's capital plan.

Table 2: Projected to Actual Revenue

September 18, 2014 - June 30, 2015

	Adjusted Projection (2015 Base)	Fiscal Year Projection	Fiscal Year vs Adjusted Projection
Operating Revenues			
Terminal Operating Fee	140,400	140,400	-
Events ¹	894,373	550,000	(344,373)
Parking ²	182,455	80,000	(102,455)
Passenger Fees ³	3,698,000	3,674,300	(23,700)
Total Operating Revenues	4,915,227	4,444,700	(470,527)
Operating Expenses ⁴			
Port Maintenance	162,363	110,000	52,363
SFPD/DPT	157,440	199,680	(42,240)
Promotional Fees	19,000	18,200	800
Permit Fees	3,600	3,600	-
Material & Supplies	6,500	6,430	70
Subtotal, Operating Expenses	348,903	337,910	10,993
Revenues After Operating Expenses	4,566,325	4,106,790	(459,535)
Pier 27 Dredge	1,002,456	1,590,761	(588,305)
Pier 35 South Dredge	771,533	548,157	223,376
Pier 35 North Dredge	237,007	295,162	(58,155)
Revenues After Dredging Expenses	2,555,329	1,672,710	(882,618)
Debt Service	3,276,000	2,968,335	307,665
Net Revenue/Loss ⁵	(720,671)	(1,295,625)	(574,953)

¹ September 18, 2014 - June 30, 2015 reflects 26 events.

² Parking started in February, 2015.

³ September 18, 2014 to June 30, 2015 reflects 65 calls, 227k passengers. FY14/15 full year has 76 calls, 276K passengers.

⁴ Expenses are adjusted to 78% of the total in the 2015 Base Projection to reflect a 9 month and 13 days review period.

⁵ The original projections showed a \$110K positive variance because of the assumption of a full year of the passenger facility charge. The original projections are for the first stabilized year of operation, or FY2015-16. The Adjusted Projection (2015 Base) corrects for the timing of implementing the PFC.

Expenses

Operating expenses are on track and show a small positive variance of \$11K, which is a result of Port Maintenance performing work more efficiently than expected (savings of \$52K) and other modest savings on promotional fees and materials and supplies (\$870), and traffic calming services which the San Francisco Police Department provides costing \$42K more than expected. Port staff has crafted strategies to deploy parking control officers instead of police officers, deploy traffic calming measures and way finding to better manage traffic and reduce expenses as described in the *Operational Efficiencies* section below.

Capital expenses for debt service are \$308K below base projections because of a lower than anticipated interest rate achieved in the 2013 Port Revenue Bond sale. However, dredging expenses are \$423K higher than anticipated in the current year and are projected to increase to \$3.9 million annually which is 50% higher than anticipated.

Port staff is working to reduce dredging costs through the following short and longer term strategies:

Short term dredging strategy:

- The dredging contract will come up for renewal and trigger a formal competitive selection process by the end of 2015. Port staff will conduct outreach to encourage more competition in bid.
- Currently, the Port's dredging permit allows for dredging during the high season (June-November). Extending the new dredge permit to the off-season may encourage more firms to compete since there would be less demand during the off-season.

Longer term dredging strategy:

- Explore possibility of identifying a Port beneficial site for disposal of dredge spoils which have been done in Oakland and Montezuma Wetlands in Solano County
- Explore bringing dredging capability back in-house for cost savings which was the Port's practice many decades ago.

Business Lines Performance

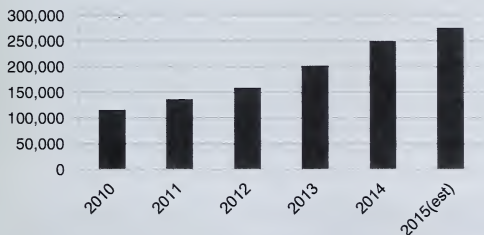
• Cruise

San Francisco cruise shipping has grown steadily over the past five years – from 116,000 cruise guests on 44 ship calls in FY2009-10, to a record 250,000 guests on 73 calls in FY2013-14. In FY2014-15 the Port expects to break the passenger record again with 276,000 guests on 76 calls. This financial analysis reviews the 65 vessel calls from the opening of the James R. Herman Cruise Terminal at Pier 27 on September 18, 2014 – June 30, 2015.

The small negative variance of \$24K demonstrates that passenger counts are on track due to steady growth in cruise calls and number of cruise passengers, a targeted marketing campaign and cruise line diversity.

Bookings for FY2015-16 are on par with FY2014-15, with more than 80 confirmed berth reservations to date, including Crystal Cruises' deluxe 102-night world cruise, beginning and ending in San Francisco.

Table 3: San Francisco Cruise Passenger Volume, FY2010-2015



The number of lines calling on San Francisco is increasing which is beginning to diversify cruise revenues. More than a dozen cruise lines are visiting San Francisco this year, led by Princess Cruises (52 calls), Carnival UK, Celebrity Cruises, Norwegian Cruise Line, and Royal Caribbean International (each with four calls). San Francisco-based cruises are offered year-round to Alaska, Mexico, and Hawaii.



Cruise lines regularly calling San Francisco

In September 2015 San Francisco will welcome its first-ever charter ship, Celebrity Infinity, which will berth at Pier 27 for six days in support of Salesforce Dreamforce convention at Moscone Center. This call will generate approximately \$250,000 in direct

revenue to the Port, plus many additional jobs for the International Longshore and Warehouse Union (ILWU) as well as cruise ship vendors throughout the Bay Area.

A targeted marketing campaign is an important ingredient to the steady growth in cruise calls. The Port's marketing staff has developed strong relationships with key cruise line executives and decision-makers, attending biannual conferences in Florida, where many of the lines are located, as well as making sales calls with West Coast lines in Los Angeles and Seattle. Since September 2014, many cruise executives have come to San Francisco to tour the new Pier 27 terminal.

The Port increased its marketing effort this year by designing and placing two new cruise ads, highlighting Pier 27 and the many advantages of sailing from San Francisco. Last month Port staff, together with PCST, met with Princess Cruises at their Santa Clarita headquarters to review performance at Pier 27 in the first nine months of operation. The guest satisfaction scores, which cover check-in, embarkation, and disembarkation, have been good so far, but there is room for improvement. The Port and PCST's goal is to continuously improve the experience for the guests and the ships to make San Francisco one of the top five embarkation ports worldwide.



Cruise the West booth at Cruise Shipping Miami 2015

The Port and PCST met with senior officials with US Customs and Border Protection (CBP) to discuss passenger clearance at Pier 27, which is done ashore in the terminal, not on board ship as at Pier 35. CBP has streamlined the clearance procedures for disembarking guests, which has been well received, not only saving time but also resulting in higher guest satisfaction scores.

In spite of the strong cruise volumes and associated revenues, challenges remain as cruise lines have raised concern about the high manning levels and related costs of calling San Francisco as compared to other West Coast ports. These concerns are reflected in staff projections of cruise revenue offered in Table 5 below.

SAN FRANCISCO YOUR GATEWAY TO THE WORLD



Stunning New Cruise Terminal at Pier 27
Located in the Heart of the City



Destination and Support



Using Transit From



Over 100 destinations world-wide



Over 100 destinations world-wide



Over 100 destinations world-wide



Over 100 destinations world-wide

Business Opportunity



Over 100 destinations world-wide

www.sfpport.com



415-274-0400



SAN FRANCISCO

HOME PORT AND IN-TRANSIT CALL ADVANTAGES:

- New In 2014: James R. Herman Cruise Terminal at Pier 27
- Spectacular passage beneath the Golden Gate Bridge
- World-renowned destination and local attractions
- Featuring Alaska, Mexico, Hawaii, and California Coastal itineraries
- Drive-to market exceeds 14 million people
- Major air gateway served by three international airports
- Full-service ship repair and drydocking facility



Port's latest cruise advertisements

- **Special Events**

Early special events results are good despite little marketing and lead time; pricing and demand are strong. Special events show a negative variance of \$344K, but this performance is expected given this is the first year of operation. Special events typically book a year in advance. Consistent with the Port's booking policy which provides first bookings to cruise calls, the calendar opens to special events 14 months in advance. PCST was able to schedule 26 events in the facility in the first nine months without typical advanced booking periods. Further, the types of events were corporate events which are the highest paying users. The number of events booked in the first nine months, the types of events, and the average price point gives Port staff reason to be optimistic that special events revenue will meet original staff projections in FY 2016-17 and beyond. However, the facility operator faces challenges reaching a utilization rate of 58% assumed in the base projection because coordinating advanced scheduling for both cruise and special events with overlapping high seasons (spring and fall) is difficult, as well as navigating the conflict between long events and cruise days.

Table 4: Special Events Early Performance

	Annual Base Projection	Nine Months Actual Performance
Number of Special Events	52	26
Average Fee	\$23K	\$21K
Utilization (number of available days booked)	117 Days	55 Days
Utilization rate	58%	32%

As a secondary use to cruise and a new business line for Pier 27, developing a new business takes two to four years before reaching stabilization. Initial bookings were made even though these bookings were finalized before the cruise terminal opened. Demand for the 1,000+ guest venue remains strong, and should be strengthened once Fort Mason's Herbst Pavilion is no longer available. While demand is strong, there are limitations. PCST has stated that while they have received many multi-day event requests, they cannot accommodate because of the cruise ship schedule (i.e., there are limited multiple days in a row available for events).

The San Francisco Maritime Museum gala was the first event held at Pier 27. This occurred on October 3, 2014. Events in late 2014 included LinkedIn and Salesforce corporate holiday parties and the Major League Baseball World Series gala hosted by the San Francisco Giants. For the first half of 2015, events have included or are scheduled to include the following corporate event sponsors: Apple, Sun Power, DevNetwork, Concur Technologies, AIGA San Francisco, Accenture, and Cappa Graham. These corporate events include technology user conferences, fund-raisers, meetings, automotive and fashion shows, ranging from 300 to 2,500 participants.

Rental charges for the entire building are currently at \$35,000 a day (50% rates for load-in, load-out days). An event may use the entire building or portions thereof, and is priced accordingly.

PCST has hired additional staff to accommodate growing demand for event space at Pier 27. PCST has concentrated its effort in developing its core corporate event business within the cruise terminal building and will be doing so until operations have become stabilized. Corporate events are projected to drive special events revenue performance.

There are opportunities at Pier 27 to develop a more robust event program. For example, the Pier 27 Ground Transportation Area (GTA) has been used primarily as a vehicular circulation use for cruises and on non-cruise days for event and parking use. The Bay Conservation and Development Commission (BCDC) permit also specifically allows the Port to host events in the GTA. There have been inquiries from event planners regarding whether food and beverage events associated with particular private or public events could be allowed in the GTA. To date, the Port has not accommodated these requests for such events.

There is also potential for the Pier 27 provisioning area (or Pier 27 tip). The BCDC permit for this area (including the public access space at the tip of Pier 29 to be used for events) stipulates that the Port develop a "program...to enliven the space, draw the public out to the tip, and provide activities that are free of charge and open to the public." The Pier 27 provisioning area is required for cruise operations, but must be available for public access on non-cruise days. The ability to consistently open this area to the public has been inconsistent and all parties are striving to ensure smoother coordination. Because of its bayside views, there have been inquiries with respect to potential events on the Pier 27 tip. Further discussions with BCDC are needed to determine whether it is possible to allow PCST to market and book for private events that would respect public access around the perimeter of the pier. This potential solution may be attractive since it would serve the BCDC goal of drawing the public to the Pier 27 tip (including the public access end of Pier 29 shed) as well and be a revenue source for the Port and PCST.

Civic event planning has been minimal to date at Cruise Terminal Plaza. However, an initial event has been scheduled for July 12, 2015 when the San Francisco Symphony will perform a free, noontime concert. The Port has jurisdiction for this area, but PCST will be offering a portion of the terminal facilities under its jurisdiction for the event. Depending how this event is received, the Port envisions other such community events that will bring people to the waterfront on a regular basis. While it is not intended to generate revenue for the Port, events such as the free symphony concert help solidify Pier 27 as a community asset and market the facility for revenue-generating events at the cruise terminal.

The ability to host Pier 27 events during FY 2015-2016 looks to be very promising, especially if the Port can enable PCST to develop venue opportunities throughout Pier 27. This may involve expanding PCST's current jurisdiction to include booking public events in Cruise Terminal Plaza, especially for those events that would also use

terminal facilities that are under PCST jurisdiction. During the upcoming fiscal year, the Port and PCST will develop new ways to market Pier 27 as an event venue and, if needed, re-adjust the rental rates so that Pier 27 remains competitive.

Because of interest generated by the Pier 27 event venue, Pier 35 could show promise for events requiring large, unobstructed spaces and may be ideal for trade shows, craft fairs and festival floor space. Pier 35 serves as a secondary cruise terminal and will be used for cruise terminal valet parking. Depending on scheduling, Pier 35 may offer further opportunities for revenue-generating events.

- **Parking**

Parking shows a negative variance of \$102K because of a delay in gaining regulatory approval for visitor parking, which finally was granted in February 2015. PCST, through their parking contractor, Impark, is responsible to use best management practices and standards for operating the Pier 27 GTA for event parking and for waterfront visitor parking. Factors contributing to the revenue shortfall include the late opening, fewer available parking spaces than originally expected and low visitor parking volumes. The envisioned Pier 35 cruise valet parking operation has not commenced. PCST is still working with the Port to make physical improvements to Pier 35 in order to comply with requisite building and fire codes. PCST and Impark plan to increase volumes by adding signage, employing flagmen, and marketing the pier as a parking option to attendees of nearby attractions such as the Exploratorium and Alcatraz Cruises.

The overall revenue variance (\$471K) provides reason for optimism that the Port can achieve a breakeven position because cruise calls may outperform projections and special events and parking will stabilize and meet projections by FY 2016-17.

Operational Efficiencies

On a typical homeport call, which is only nine hours (7:00am-4:00pm), approximately 5,200 guests disembark and embark; longshore workers handle in excess of 12,000 pieces of luggage and load nearly 400 pallets of stores and provisions. Most of the ships calling the terminal are equipped to receive electrical power from shore, which reduces air emissions to zero while plugged in.

Port staff and PCST are working to improve operations including partnering with U.S. Customs and Border Protection to quicken customs clearance times and making operational and physical changes to facilitate traffic flow on cruise call days. When the terminal was opened last fall, portions of the terminal were still not completed. The "Facility Operations" building that provides space for terminal equipment and other operational equipment opened six months later in March, 2015, further assisting in improving the terminal operations.

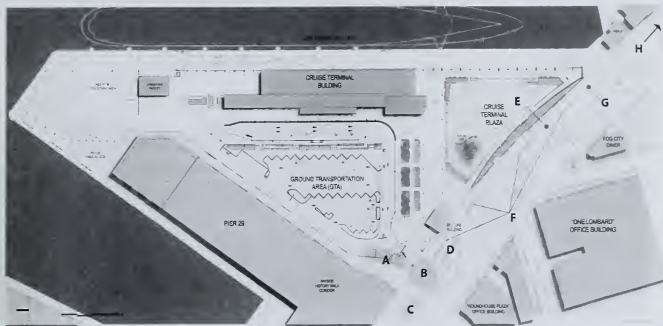
- **Transportation**

Since the September 2014 opening of the facility the Port and PCST have been progressively improving the vehicle circulation layouts within the ground transportation area as well as addressing traffic along The Embarcadero on ship days. Early on, traffic back-ups occurred on The Embarcadero as a result of cruise operations. The Port has been working with San Francisco Public Works (SFPW) and San Francisco Metropolitan Transportation Authority (SFMTA) to streamline vehicular ingress and egress. Transportation and traffic management are best addressed in two interdependent areas of operations:

- 1) Traffic flow on The Embarcadero and the entrance and exit to the terminal; and
- 2) Traffic flow and parking within the terminal Ground Transportation Area (GTA) and the vessel provisioning aprons.

On cruise days the Port hires seven San Francisco Police Department (SFPD) officers for traffic control along The Embarcadero to direct vehicles, keep northbound through traffic flowing, and ensure pedestrian and bicycle safety at the terminal entrance and exits. An issue of concern initially identified was vehicles illegally dropping off passengers on The Embarcadero instead of entering the GTA. This caused lanes to be blocked on The Embarcadero exacerbating the traffic congestion. To solve this issue the Port, in conjunction with SFPW and SFMTA traffic engineering, have in filled four redundant driveways along the pier frontage, installed new "No Parking" and "Pier 27 Passenger Pick Up/Drop Off Ahead" signs, installed both permanent and temporary vehicle bollards in the driveways and installed new signs all to prevent vehicles from stopping on The Embarcadero to drop off and pick up passengers.

The Port, in conjunction with SFMTA and SFPD, is in the process reconfiguring the entrance/exit driveway to the GTA. The entrance lane will be widened and exit lane reduced from two to one, which is expected to improve Embarcadero traffic flow and ensure the left northbound through-traffic lane, is not disrupted by vehicles entering and exiting the pier. We are working to have installed electronic reader signs on the northbound Embarcadero similar to those near AT&T Ballpark to communicate traffic information to drivers.



Pier 27 Cruise Terminal: Traffic Flow Improvements

Improve Flow of Northbound Left Lane:

- A** Modify Pier 27 driveway from 2 exit lanes to 1, which would exit into the right lane
- B** Modify management of driveway by police officers to maintain left lane flow (March, 2015)
- C** Close northbound left turn bay at Sansome Street at peak cruise time (April, 2015)
- D** Do not allow left lane vehicles to merge at the last minute into Pier 27 per direction of police officers

Improve Flow of Northbound Right Lane:

- E** Remove unneeded signage at curb (March, 2015)
- F** Remove 4 unneeded driveway aprons along length of site to eliminate vehicles pulling into bike lane and Promenade (March, 2015)
- G** Install new sign indicating that the passenger drop-off to the terminal is ahead, to complement the "No Stopping" signs (June, 2015)

General Embarcadero Congestion:

- H** Install changeable message signs south of Broadway warning vehicles of terminal congestion ahead, so vehicles can use Broadway as an escape route (June, 2015)

Port of San Francisco

June 8, 2015

PCST employs ILWU Local 75 watchmen to control and direct the vehicles once on the pier. The watchmen direct delivery trucks to and from the provisioning aprons; tour buses to and from the parking lot; and personal vehicles, taxis, and limousines to designated pick-up and drop-off areas in front of the terminal building. PCST and Port staff have been working with the cruise lines to improve advance information on the number and timing of vehicles arriving for a ship call, encouraging passengers to use public transportation and offsite parking, and ensuring that delivery trucks have staging areas in the terminal so they will not park on The Embarcadero.

• Public Access

One of the unique attributes of the James R. Herman Cruise Terminal complex is the large amount of public space, highlighted by Cruise Terminal Plaza and its 2½-acre green space. Large areas that were once blocked by the old Pier 27 warehouse are now open for the public to enjoy.



Abundant Public Space at Cruise Terminal Plaza

The Piers 27 and 29 public access plan as outlined in the BCDC Permit # 2012.002 and amendments 1-4, describes zones on the pier and the time periods that they are to be dedicated to public access. The gates and fencing that is necessary to create these public areas are operated by PCST staff and compliance is monitored by Port staff.

The below diagram indicates the four zones, labeled A to D, that are to be open to the Public:



A Cruise Terminal Plaza, Public Restrooms, Pier 29 South Edge
Open at all times. Restrooms to be open from 30 minutes before dawn to 30 minutes after sunset and maintained by Port.

B Pier 27 Apron at Plaza & Pier 27 Provisioning Area
Closed when ship is in berth and the day before and after.
Open all other days from 30 minutes before dawn to 30 minutes after sunset.

C Pier 27 Apron at Terminal
Closed when ship is in berth and the day before and after, and when there are 4 or fewer days between ships. Open other days from 30 minutes before dawn to 30 minutes after sunset. (Anticipated to open August, 2015)

D Pier 27 Tip, Pier 29 North End of Shed & Pier 29 North Apron
Open from 30 minutes before dawn to 30 minutes after sunset.

- I) Areas A and the west apron B have been open as described since the opening of the terminal in September 2014.
- II) Areas D, except the area D in the Pier 29 covered area, have been open since April 2015.
- III) Areas B and D (B is the Pier 27 tip/provisioning area and D the Pier 29 covered area) had been closed due to the construction of the facility operations building, which displaced stevedore equipment that was temporarily stored in these areas. Areas B and D were opened to the public on June 1, 2015.
- IV) Area C, the apron alongside the vessel berth and terminal building, will be opened to the public in August 2015, upon completion of a set of barriers around the gangway and shoreside power hoists. Port staff remains concerned about safety issues relating to public access along the apron due to the high voltage shoreside power apparatus, cranes, and the gangway, but expect the portable barriers will safeguard the equipment and protect the public.

Port staff is committed to providing new way-finding and interpretative signage at the pier and will highlight public spaces on the Port's website.

Local Business Participation

PCST presented to the Port a Local Business Enterprise (LBE) Participation Plan outlining opportunities in several areas of the terminal's operation. These included marketing, design services, janitorial, printing, and suppliers of goods and equipment. To date, PCST has employed the below listed registered LBEs:

- | | |
|--|------------------------------|
| o Janitorial Services: | Twin III Janitorial Services |
| o Special Event Services: | Treeline Security |
| o Photography Services: | Jake Tomlinson |
| o Marketing and Brand Design Services: | Rise and Shine Studios |

PCST remains engaged with the LBE community in areas of supply chain, maintenance and food service and entertainment service providers as these opportunities arise.

Performance Outlook

The key to maximizing revenues from the facility is high utilization, with a prioritization to cruise calls. In the first nine months, the average time in port for a cruise call was 14.2 hours and the average time for setup and takedown was 34 hours. This equates to 116 days or 41% of days utilized for cruise calls in the first nine months (286 days). PCST used the remaining 32% of available days for special events. These early results show efficient cruise turn time and strong utilization for events, considering that special event management is a new business line that requires advanced bookings.

The Port estimates that there will be approximately 26 booked events within the cruise terminal building during the initial fiscal year which will generate \$550K to the Port in the nine month period. As the special event component gains momentum from its success, and with increased marketing efforts, improved results are expected; likewise with parking revenues, with the addition of Pier 35 valet parking and expanded marketing.

The Port has strategies to reduce dredging costs, as outlined above, which could offset the forecasted deficit, but staff feels it would be premature to change the forecast until exploring the options more fully.

Table 5: Projected Five Year Revenues and Expenses

Cruise Operations: Five Year Revenue and Expense Projection

FY 2014-15 to FY 2019 -20

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Revenues						
Terminal Operating Fee	140,400	185,400	190,962	196,691	202,592	208,669
Events ¹	550,000	596,249	1,192,497	1,228,272	1,265,120	1,303,074
Parking ²	80,000	273,682	547,364	563,785	580,698	598,119
Passenger Fees ³	3,674,300	5,583,370	5,583,370	5,333,370	5,333,370	5,333,370
Total Operating Revenues	4,444,700	6,638,701	7,514,193	7,322,118	7,381,781	7,443,232
Operating Expenses						
Port Maintenance	110,000	113,300	116,699	120,200	123,806	127,520
SFPD/DPT	199,680	200,000	206,000	212,180	218,545	225,102
Promotional Fees	18,200	18,746	19,308	19,888	20,484	21,099
Permit Fees	3,600	3,708	3,819	3,934	4,052	4,173
Material & Supplies	6,430	6,623	6,822	7,026	7,237	7,454
Subtotal, Operating Expenses	337,910	342,377	352,648	363,228	374,124	385,348
Revenues After Operating Expenses	4,106,790	6,296,324	7,161,545	6,958,890	7,007,656	7,057,884
Pier 27 Dredge	1,590,761	1,835,000	1,835,000	1,835,000	1,835,000	1,835,000
Pier 35 South Dredge	548,157	1,322,750	1,322,750	1,322,750	1,322,750	1,322,750
Pier 35 North Dredge	295,162	712,250	712,250	712,250	712,250	712,250
Revenues After Dredging Expenses	1,672,710	2,426,324	3,291,545	3,088,890	3,137,656	3,187,884
Debt Service	2,968,335	3,933,062	3,931,530	3,934,149	3,934,536	3,991,669
Net Revenue/Loss	(1,295,625)	(1,506,738)	(639,985)	(845,259)	(796,880)	(803,785)

¹ FY 2015 reflects 26 events. FY2016 assumes 50% of full bookings. FY2017 assumes full bookings of 52 events per year. 3% growth thereafter.

² Parking started in Feb/2015. FY2016 assumes 50% of full capacity. FY2017 projection assumes full capacity. 3% growth thereafter.

³ September 18, 2014 to June 30, 2015 reflects 65 calls, 227k passengers. FY14/15 full year has 76 calls, 276K passenger. FY2016 to FY2020 assume 78 calls, 296,298 passengers FY2016 and FY2017 projection include \$250,000 dockage fees each year for Dreamforce Conference.

Conclusion

In the initial nine months, the James R. Herman Cruise terminal has received rave reviews and has seen strong cruise demand and growing special event opportunities. Our cruise customers have commented on the unique urban experience that the terminal affords their crew and guests. Operationally Port staff and PCST have learned much about the facilities characteristics and have made improvements to improve the passenger experience. Users of the facility for special events have been a "who's who" of leading corporate and community groups and the Cruise Terminal Plaza have become a new place to explore and enjoy the Port.

Port staff believes that the cruise facilities are off to a strong start and Port staff is looking for ways to further increase revenues, reduce expenses and improve results.

Prepared by: John Davey, Maritime Operations Manager
John Doll, Project Development Manager
Michael Nerney, Marketing Manager
Marilyn Yeh, Maritime Administrative Manager

For: Peter Dailey, Deputy Director
Maritime

Elaine Forbes, Deputy Director
Finance and Administration



SAN FRANCISCO PORT COMMISSION

3/15
**JUNE 23, 2015
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

GOVERNMENT
DOCUMENTS DEPT

JUL 10 2015

SAN FRANCISCO
PUBLIC LIBRARY

**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO

PORT COMMISSION

MINUTES OF THE MEETING JUNE 23, 2015

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 3:19 p.m. the following Commissioners were present: Leslie Katz, Willie Adams, Kimberly Brandon and Doreen Woo Ho. Commissioner Murphy was on medical leave.

2. APPROVAL OF MINUTES – May 26, 2015

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the May 26, 2015 were adopted.

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

6. EXECUTIVE

A. Executive Director's Report

- Free Symphony in the Park at the Cruise Terminal Plaza at Pier 27 – July 12, 2015 at 12 noon

Monique Moyer - The San Francisco Symphony will be hosting a Free Symphony in the Park at the James R. Herman Cruise Terminal, the Plaza at Pier 27. It has been three decades or more since the Symphony hosted a Free Concert here at the Port of San Francisco, the last one

being right at the Ferry Plaza, behind the Ferry Building in 1983. It has been a very long time. We're excited to welcome them back.

It is my honor to introduce Katie Nicely who is the Director of Community and External Relations for the San Francisco Symphony to say a few words to engage you in what a great event this is going to be on July 12, 2015 at Pier 27.

Katie Nicely – I am honored to be here today because we do have a very exciting event in tandem with our partners at the San Francisco Arts Commission. Jill Manton from the Arts Commission is here who we worked with directly on this event. We are extremely happy that the Port is welcoming us back after over 30 years. We're thrilled to be back again. The Symphony enjoys playing in one of the most iconic places in San Francisco featuring beautiful landscapes. The importance of this event is that it is a free community concert and again, in tandem with the San Francisco Arts Commission and we attract thousands of people from all over the Bay Area to hear the San Francisco Symphony for free.

I wanted to highlight some of the other partners that we have this year on this event. In addition to the Port welcoming us, the San Francisco Arts Commission, we also have wonderful sponsorship from PG&E and McKesson and then as of last week Charles Schwab. We also partner with the San Francisco Bike Coalition on this event. We expect to have anywhere between 2,000-5,000 people.

We have a volunteer group at the Symphony called Symphonix which is our Young Professionals Group. They have organized a Facebook event and they sent it out last week. We found that over 11,000 people have said that they're coming but I don't want that to make you nervous because we know that that actually won't be true. We anticipate that we'll have a thousand people more than what we would've had without their help in reaching out and telling other young professionals about this event.

I can't hesitate to invite all of you to come, but I also wanted to mention that I like the repertoire that we're doing because it is a mix of genres that we haven't seen at some of our free events in the past. We're also featuring the music of Bryce Dessner who is an electric guitarist with the band The National. So we're having a fusion of indie rock music as well as with classical music. We think that will attract a lot of people.

I wanted to thank not only Monique but also her staff for helping us because the Symphony -- imagining a new space has actually been a lot of work but at the same time wonderful work in that we now feel that we hope to have a footprint for additional community events that you might have in the future.

On behalf of the Board of Governors of the Symphony and also the staff, we appreciate very much you having us.

Commissioner Katz - I'm already making notes of it and I'm going to try and bring my mother. You mentioned one part of the program. Do you know some of the other pieces that will be played at the program?

Katie Nicely - We're performing Beethoven. We've committed to that. There also are a few other pieces that our conductor Edwin Outwater is figuring out right now, but the complete program will be available on our website at SFSymphony.org. You should know that "St. Carolyn by the Sea" which is the piece that has been written by Bryce Dessner will feature electric guitarists and also the Symphony in tandem. There is also a video clip on our website of that very piece and an interview of Bryce Dessner if you'd like to dig in a little bit more to the repertoire. The event will take place on Sunday, July 12 from noon to 2 p.m. at Pier 27.

Commissioner Katz - Everyone please come on down.

Monique Moyer - I want to echo Katie's sentiments in that the staff at the Symphony has been terrific to work with. We are finding our way very carefully in how we can utilize this new space and be a good neighbor and welcome the public and the community and we found a fantastic partner in the San Francisco Symphony and in Katie herself and she's really taken the bull by the horns.

We are looking to a mostly car free event with the bicyclists and the petty cabs and the water taxis and all the public transportation that can service it. A great gathering on the wonderful lawn that is part of the facility and the area. I hope you will be able to join us and it should be a fantastic event and we're hoping for clear blue skies to emphasize the beauty of the music. Thank you very much for everything and for coming today to get us all excited.

- Cancellation of Port Commission meeting – August 11, 2015

There is not enough agenda for the August 11, 2015 meeting so we will cancel that meeting. Our next regularly scheduled meeting will be September 8, 2015 at our standing time and place.

- Bayview Rise - Selected by the Public Art Network as one of the best public art projects in the country

On behalf of the Port staff and our Art Commission colleagues, I am proud to share with you that the Bayview Rise art project won a major award on June 15, 2015. Americans for the Arts which is the nation's leading non-profit organization for advancing arts and arts education honored 31 distinguished public art projects that were created in 2014.

They have a program called Public Art Network, the only program of its kind in which they look at public art projects of the prior year and honor them in some way. They looked at more than 300 entries from across the country and they recognized Bayview Rise as the most compelling public art project in the country and they were recognized at the Americans for Arts 2015 Annual Convention which was held in Chicago last week. We are very proud of that honor. It was shared with the artist Lauren Haddad and Tom Drugan as well as the community which helped with the inspiration for Bayview Rise. Kudos to everyone that's been involved in that wonderful project. We hope that it will serve as an inspiration for more projects.

Commissioner Katz - One of the things I enjoyed most about what the artists created at this project was that they reached out to the community and spent a great deal of time talking to members and leaders in the community. In fact, there was another finalist that was actually removed from contention after they said they didn't want to participate in our request that they reach out to the community. So they dropped out or we dropped them out of the competition. The fact that this piece won an award demonstrates the fact that the community was involved and that it made for such a compelling and wonderful piece and it just further justifies the Port Commission, the Art Commission, pushing to make sure that the community was included in the artists' efforts on this piece. I'm particularly pleased to see that this all transpired the way it did.

Monique Moyer - Thank you, that's a very excellent point. We're thrilled as well and hopeful that our next piece also is award winning.

- Anniversary of the opening of the Embarcadero Roadway

Last week also marked the 15th Anniversary of the opening of the Embarcadero Roadway. It's hard to believe that it's 15 years old or 15 years young depending on your perspective but it opened officially on June 16, 2000, just in time for the Millennium. As you may know, there was a vision to create the Embarcadero as an urban boulevard that went to the voters several times and was not well embraced.

Then we had the Loma Prieta earthquake which forced the issue. Under the leadership of then Mayor Agnos, it was determined to bring down the freeway and proceed with the roadway. The Embarcadero Freeway was torn down in 1991 giving way to what is now today the Embarcadero Roadway. Construction had already started before the Loma Prieta earthquake on a southern leg of the roadway because it was intended that a roadway would exist under the freeway and bring MUNI transit under the freeway, interestingly enough.

The roadway was completed in three phases, first the south, then the north and then the mid-Embarcadero was the last piece. It was completed and opened on June 16, 2000. This is an incredible milestone for the Port as we know it today. I wanted to highlight and celebrate its 15 years anniversary. The Embarcadero Roadway is being well utilized by pedestrians and cars and everyone else.

- In Memoriam – Port Tenant Michael Comaich, President of Diamond Freight Systems

Unfortunately we've lost two very good friends of the Port in the last couple of weeks. I'd like to first mention our Port tenant Michael Comaich, who was President of Diamond Freight Systems. I don't know that many of you have gotten the pleasure of meeting Mike but he has been a tenant at Pier 50 since 2000 with his company Diamond Freight.

Mike is a native of San Francisco. He was born in 1942 and his family had a long history in the trucking business and he took over the trucking company when his dad passed away. Mike has been a very engaged tenant over the years. I know when I became Port Director, he called me regularly, seemed to know what hours I kept and would call me almost every night to check in to see how things were going. He was a very friendly voice. Then he became a very critical voice and then he's been a good friend for many, many years.

Mike was a very avid San Francisco Giants fan as well as a 49ers season ticket holder dating back to the days that they were at Kezar Stadium. He was a good father and grandfather and it was very sad to lose him right before Father's Day. He is survived by his only daughter, Shannon Tosh. Shannon has two children who I know from many conversations with Mike that he just adored. He will be missed.

There will be a funeral mass for Mike on Saturday, June 27, 2015 at 10 a.m. at St. Teresa of Avila Church on 19th Street. For anyone who would like to attend and honor Mike, we hope to see you there. I know that there are a number of us in the Maritime and in the Real Estate community that will miss Mike and all the different things that he brought for us, including surviving as a small trucker.

- In Memoriam - LeRoy King, a longtime Bay Area labor leader, civil rights advocate and Former Commissioner of the San Francisco Redevelopment Agency

As everyone knows, we also lost an icon in San Francisco, Mr. LeRoy King, a longtime Bay Area labor leader, civil rights advocate and member of the San Francisco Redevelopment Commission passed away at the age of 91. He passed away on Friday, June 12, 2015. He was able to pass away in his home of many decades, since 1963.

He was born in 1923 in Fresno and came to San Francisco during World War II. He served in Europe in the Army and then when he was discharged, he came back to San Francisco and then found his way to the International Longshore Warehouse Union, ILWU Local 6. I'm going to defer to Commissioner Adams for more details there. He's definitely a familiar face all throughout the city and is well known for wearing his ILWU jacket everywhere he went and was very proud of that.

He always had a wonderful smile for all of us and it was hard to picture him as a stalwart activist marching in the streets and demanding change because he was usually giving out big smiles and big bear hugs and kisses. But we were just thrilled to be part of his world.

He's well known for a number of things that he did but we all admire him recently for his activism even well into his late '80s and his claim to fame of being arrested during a street demonstration on behalf of hotel workers. We are proud of him for keeping up his zeal and his zest. There are several accomplishments that are memorialized in Mr. King's memory.

First, as you may know, the 108-year-old carousel at Yerba Buena Gardens has been named the Leroy King Carousel as an homage to Mr. King. That was done in May of 2014. He helped to shape the Redevelopment Agency for three decades in service as a Commissioner and so it's a well-deserved honor and something he was quite proud of.

In 2011, a bronze bust of Mr. King was installed at the Jazz Heritage Center in the Fillmore District to honor Mr. King's work in preserving the neighborhood's African American and Japanese American heritage. In 2009, the National Education Association honored Mr. King with his Martin Luther King, Jr. Memorial Award for his lifetime of social justice work.

It has just been an honor for this city to have a resident such as Mr. King who would serve so tirelessly, voluntarily and in public service and it is a big loss in all of our hearts. We will miss him.

Christopher Christensen - Some know me, some don't. I'm Christopher Christensen with the International Longshore and Warehouse Union and the President of the Bay Area Longshoreman's Memorial Association. Monique just spoke on LeRoy King, the amazing activist and labor leader. I had the privilege to serve on the Northern California District Council at the end of his life, he was still active.

I just wanted to inform the Port Commission and the Port staff that his family and the Bay Area Longshoreman's Memorial Association is having a memorial for him on Saturday, July 25, 2015 from 10:00 a.m. to 3:00

p.m. at the ILWU Hiring Hall at 400 North Point. I'm extending warm welcomes to invite the entire Port Commission and Port staff..

Commissioner Brandon - I want to say something about LeRoy King who was just such a wonderful person. When I first was appointed to this Commission, he was one of the first people to embrace me and take me to lunch and show me the ropes. He's been such a great friend for so long and such a wonderful activist.

If he believed in a cause, you were going to take it on too. He's truly going to be missed. I hope that I can make the event at the ILWU Hiring Hall to honor him and to memorialize his life here in San Francisco.

Commissioner Adams - LeRoy King was an icon. An American icon. LeRoy ran Nancy Pelosi's first campaign when she went to Congress. She always loved LeRoy. She just recently did a speech on the floor of the U.S. Congress talking about her good friend, LeRoy King. He was a good friend of Nancy and Paul Pelosi.

LeRoy told me a story which a lot of people will know. You never know the obstacles people have to go through in life. When LeRoy and his wife came to this city, LeRoy being African American, his wife was white. At that time a black person couldn't rent an apartment. LeRoy's wife would have to go out, being white, and rent the apartment.

About six or seven times, they found out that she was married to LeRoy, being a black man, and they had to move. Finally, they took it to court. LeRoy was that kind of a guy. He was a champion type of guy. To LeRoy, all people mattered.

Madam Chairman, I would ask that as soon as all the Commissioners get done, I think it would be appropriate to do a moment of silence for LeRoy and also the nine people that were murdered in the church in Charleston. That's what LeRoy was about, about people. And also for Michael Comaich, that's what LeRoy would've wanted.

Commissioner Katz - I first met LeRoy on Nancy Pelosi's first Congressional campaign. But then he continued to serve as a mentor and an advisor to me. He was one of my first supporters when I ran for the Board of Supervisors and I was so honored to have the support of somebody whom I so admired.

I think about LeRoy and his activism and how he stood by his convictions, shared those convictions. He gave a lesson in how to disagree with somebody without being disagreeable. He could be tough, firm, but that, as Director Moyer said earlier, he always had a smile on for people. I loved watching him take on all the good fights and I don't think I ever saw him lose but he did it with such class. It was just a real lesson in how to

make change and make a difference in people's lives and how to do it really the right way.

He's somebody that I know, I certainly will miss his work on behalf of the city, on behalf of so many of us, and also as a friend. I concur with Commissioner Adams, if we could have a moment of silence for our two In Memoriams, LeRoy and Michael. And then also, as was mentioned, and adjourn in memory of the nine victims at Emanuel AME Church. That's something that to this day is a fight that LeRoy would've been leading and it would be an honor for him to have us adjourn in their memory as well.

B. Port Commissioners' Report

- Presentation by Kenneth J. Petrilla, Executive Director of the California-China Office of Trade and Investment in Shanghai, on his office's efforts to promote and facilitate Chinese investment into California and to help California companies doing business in China

Commissioner Adams - Kenneth J. Petrilla, was appointed Executive Director of the California-China Office of Trade and Investment on December 18, 2014. Ken leads the dedicated experts in China and California in an effort to promote and facilitate Chinese investment into California and to help California companies doing business in China.

Prior to the California-China Office of Trade and Investment, Ken was an Executive Vice President with Wells Fargo Bank. During a career that expands over 30 years with Wells Fargo, Ken held many positions including Head of the China Desk, Regional Manager of Europe, the Middle East and Africa, Manager and Director of the Wells Fargo HSBC Trade Bank and other senior international banking positions.

I was blessed to go with Peter Dailey, Maritime Director, Jim Maloney, Marketing Director of the Port to the Philippines first and then we went to Shanghai for the Bulk Conference. It was during that time that we went to the California-China Office of Trade and Investment and we met with Ken Petrilla and his assistant for an hour and a half.

Ken enlightened us on a lot of things and what I really liked about Ken is he has impeccable credentials in the business world and with people. But he wanted to know what he could do to help the Port of San Francisco bring more business into the Port in which we want as far as general cargo, commodities. Everyone knows that our cruise business is banging. Ken wanted to help us and he was an insider. He really cared.

My last night there I had the privilege of going out to dinner with Ken and his lovely wife to a restaurant that was owned by a San Mateo resident and a Giants fan and this is where all the expats go and just really got to

know Ken as a person. He has a home here. Ken has a daughter that lives in Marin. He had heard about Commissioner Woo Ho and we knew that he was coming here.

It's an honor today to have Kenneth J. Petrilla here representing Governor Jerry Brown. He understands California. If you're going to do business in China, you have to understand California. He's going to work with us. Governor Brown couldn't have made a better choice than Kenneth J. Petrilla. The guy has all the credentials and he understands.

Ken Petrilla - Thank you very much. That was one of the nicest introductions that I've ever gotten. I do go by Ken. Kenneth J. Petrilla sounds a little too formal although that is my name. This opportunity is wonderful to be able to promote the State of California and to address the Commissioners and tell a little bit about our undertaking on behalf of the State.

I would like to be able to tell you a little bit more about the State's Office and how we might be able to work together. In addition to helping the Port in any way that I can through the State's Office, I also am interested in helping your clients, those customers and prospects that you work with that use the Port. They will have needs too.

The California-China Office of Trade and Investment is the official Office of the State of California. The State was absent from this international business for about 10 years. There was an office in China that was closed about 10 years ago and subsequently Governor Brown said, "The State of California has so much going on with China, we need to have an office to enhance what we do, to do more of it and to represent the State." Approximately three years ago, Governor Brown opened this office in Shanghai.

As Commissioner Adams mentioned, I was an Executive at Wells Fargo. I was on the Board of the Trade Office representing Wells Fargo. Eventually they asked me if I would be interested in running it and I said, "I would." I'm happy to do this. In fact, I'm proud to do this. It couldn't be better. What a nicer way to give something back to the State. I've been involved with the State through Wells Fargo for a long time.

When Governor Brown said that he wanted to have an office representing the State, he was unsure of whether or not he could get it approved by the State Legislature. So he went to the business community and asked for a partner. The Bay Area Council which is headquartered here in San Francisco, a 70 or 75-year-old policy think tank stepped up and said, "We'll be your partner."

The trade office is a public/private partnership. We're not funded through the State Budget. There are no State monies involved. The Bay Area

Council provides the infrastructure and we represent the State of California. We are governed by an Advisory Board that's presently made up of about 15 companies, some well-known, recognizable names, some middle-market companies that aren't as well-known but just as important. That is our lifeblood and that is our Advisory Board. One of the challenges that I have is to build the Advisory Board. I'm looking for additional members both for experience as well as additional resources.

Our mission is to promote the State of California and to facilitate Chinese direct investment into California as well as to help California companies doing business in China. California has a big, wonderful, diverse economy. We're the seventh largest economy in the world so I'm looking at things in technology, agriculture, the maritime industry, movie-making that is a hot topic between China and California right now -- manufacturing, biotechnology. There's a variety of things that we do to promote the State of California.

We are promoting the State's investments into California by hosting delegations, both in China as well as in California. I am out promoting as many places that I can. I am speaking all the time in China. It's amazing how powerful the State's name is. Having a business card with the State's seal on it is very powerful. I'm invited and included in a lot of things.

Compared to other states, my challenge is not business development. I'm overwhelmed with opportunities. My challenge is to sort through opportunities, to pick the right ones and not to waste time or energy. So that's one of the key challenges. Believe me, that is not the case with a lot of other states. A lot of other states have to work very hard to promote their state and get the attention of the Chinese.

California remains a favored destination of the Chinese both in terms of vacationing, but particularly in investing so the time couldn't be better. We're doing all kinds of things in all those various industries that I mentioned. The State is on a very good footing financially. People know about our budget.

Governor Brown's done a number of interesting things and our budget crisis and the current drought have not tarnished in any way our image or the Chinese have thought differently in investing in California for that reason. The timing couldn't be better. This is part of a presentation that I often make. I don't necessarily need to show this to you. The reasons to invest in California, but the Chinese feel very strongly about that.

These are our contact people. I split my time between Shanghai and San Francisco. My colleague who runs our San Francisco Office, Genevieve Herreria, is in the audience today. We're a small group but we have the resources of the State for sure and we also have the resources of the Bay Area Council.

We're doing interesting things. The timing couldn't be better. We want to help California companies that are doing business in China. We want to help the Chinese that want to invest here. We want to do whatever way we can to help the Port and we are having a discussion regarding a potential project that could possibly be invested in by the Chinese. We have a dialog going with that. As I said at the beginning of my remarks, we also want to help your customers that are doing business with the Port.

Please think of us. The State of California through the California-China Office of Trade and Investment is open for business. We're promoting the State internationally and of course, my focus is on China.

I appreciate very much the attention you've given me. I'm happy to answer any questions if there are any. Thank you very much.

Commissioner Woo Ho - Thank you Ken and appreciate very much that you have made the time to come here today. It's always good for us to know, and I know Commissioner Adams has obviously been in touch with you about the opportunities for the Port. I'm curious to know since you haven't been there that long in terms of the history of the office, are there some transactions that you can tell us that have been accomplished so far so we have a sense of the flavor of either side?

Ken Petrilla - Just at the top of my mind. I already mentioned the Port one which we're considering, it's still in the preliminary stages. A good example that covers a variety of things is a small start-up, but well-funded, three or four years old in the East Bay, headquartered in Oakland. They produce a product that actually goes on electrical wires to more efficiently distribute energy. That product is being sold in Europe and the Chinese would like to buy this product to more efficiently distribute energy, electricity. In peak hours, you want to move it from one place to the other.

It's an appealing product. It's a new company. The company in Oakland was afraid of making a potential sale because of the intellectual property challenges. They were afraid if they made the sale with the Chinese, they will steal the patents or the technology. So they found us, the Trade Office, asked us for our help regarding intellectual property. We've introduced him to a number of people including the most senior lawyer in the embassy in Shanghai that specializes in IP.

We've helped them get a dialog going with the Chinese buyer, potential buyer. They now, after a period of time, feel comfortable with the Chinese and so they are moving ahead with the potential sale. The Chinese are interested in investing in the company. That is one project that comes to my mind right now. That's the kind of thing we can do to make happen.

Commissioner Woo Ho - I have two other questions. One is, I know you're based in Shanghai. You're to represent California more or less throughout the country of China. So are you able to get outside of the Shanghai area or that keeps you so busy that you really can't go anywhere else?

Ken Petrilla - It's a big country for sure. California's a big state. I do a bit of travelling, but I'm going to the places you might expect. Besides Shanghai, Beijing, Guangzhou, Shenzhen, Southern China where there's a lot going on. I have limited myself a little bit because you can't do everything, so there is some limitation. I'm out and about, certainly outside of Shanghai. But Shanghai, interestingly enough, people probably know this but it's worth repeating. The population of Shanghai, the City of Shanghai's population is almost the same as the population of California. It's a big city with a lot going on. The published population of Shanghai is 35 million. Some people think it may be closer to 40 and the State is about 38 million. It's a big city. It's a point well taken and we try to be judicious about our time.

Commissioner Woo Ho - My last question to bring it home a little bit to the Port and it's not for us directly but we obviously have a lot of public/private partnerships and we have several major investment projects, public/private development projects going forward such as Pier 70 and Seawall Lot 337. At some point, some of these projects may require or may be looking for investment funds. Maybe that's an opportunity down the road, in addition to some of the maritime, to facilitate if there's interest. I know in China generally there is interest in real estate development. I'll just put a plug in from our side coming from the China side to invest in the U.S. You never know the risk etc. since we're in a public/private partnership, there is some better protection here, more or less in terms of what we're looking at and what they're looking at and it may not be the highest return, but it's a very safe investment in terms of some of the things that we're looking at in Pier 70 and the Giants project and Mission Rock. So just to put the bug in your ear that that is something that our partners may be interested in seeing whether there's funding down the line.

Ken Petrilla - Thank you and you know, there's no shortage of investors but we want to be able to help, and absolutely with the State's involvement, as well as the Port of San Francisco, it adds a little bit to make everybody feel more comfortable. Your point's well taken. We're definitely following up on that.

Commissioner Adams - A couple of things that you really gave us some good advice on was first of all we met the Chairman of the Chamber of Commerce of Shanghai and they said it really clear. We usually go once a year. He goes, "They don't take you serious in China if you show up once a year. It's like going to the gym once a month, you're not that

serious about your health." He says, "You need to show up and you have to build relationships." I forgot what you said Ken, what they call people that only show up once a year, but they don't really take you seriously that you really want to do business in China.

Another thing that you pointed out was that our Mayor, Ed Lee, has a lot of star power in China and we've yet to utilize that. Ed Lee, he's like a rock star over in China, that's just how it is and that's a good thing. Another thing that you said that you could probably help us with, and which is big is the cruise business. Now the cruise business started over in Shanghai in 2011 with 300,000 passengers. They were hoping to get to a million by 2021. Well, last year they just hit over a million and they're right on projecting four and a half million people by 2021.

We would like more of that middle class over in China to come to San Francisco and see our great city and Ken talked about that. Those are some of the things that we can talk about doing. Jim Maloney, Peter Dailey and I need to get back over there and there's cities outside of Shanghai that if we're really serious, we've got to roll up our sleeves, get down on the ground, build these relationships if we want to bring more work into the Port of San Francisco.

I understand what Commissioner Woo Ho said. I agree with that. But there's opportunity there. I think we need to strike while the iron's hot and how we do that and how people project and look at the Port of San Francisco. There's a lot of opportunity with Ken and all the contacts that he has there. It's just how serious we are about taking our game to the next level.

Once again Ken, I just want to personally thank you for being here and for your insight. I know you haven't been on the job a year, but you gave me and Peter and Jim something else to think about. We shared our comments with Director Moyer. I've talked to the rest of our Commissioners here. This Commission, we all have different types of skills. Commissioner Woo Ho, business. Chairman Katz, she's a lawyer. And then the investment world, Commissioner Brandon. And of course, myself, I come from the Labor Movement. Putting all of this, our talents together, we can come up with something and with your support, we can do something better and just raise up the Port of San Francisco. That's some of the things that I want to do and I know that Mayor Lee has said that he's on board with that and that's where we need to go.

Ken Petrilla: Thank you very much. I'm again honored to being invited today to speak and it's an easy sell. There's a lot to do. The Chinese like California. They like San Francisco. We just need to get well organized and we can do all kinds of things together so thank you very much for including me.

Commissioner Katz - I want to thank you for joining us today. I've done quite a bit of work both inbound and outbound with China, with various different clients and projects and to be honest, I've never seen anything quite like that growth.

I think Commissioner Adams sort of hit it just even highlighting the cruise ship business where they thought they'd hit a million people in another five years and they've more than exceeded that several years early. I've experienced that on more than one occasion, they're certainly surpassing those goals.

Given that, I also wanted to highlight that we would love to see if there's ways we can explore getting more calls at our new cruise terminal here given that San Francisco is Shanghai's Sister City in particular. There's a lot of opportunity so to the extent that you see opportunities for us to further expand having the ports of call made from ships originating or going to and from China, we'd certainly welcome that.

I know Shanghai just initiated their Shanghai Free Trade Zone, and again that's a Sister City. Does that Free Trade Zone have any additional impact on opportunities?

Ken Petrilla - That's a tough question to answer. The reason why I say that is Free Trade is happening all over the world at a variety of ports and so speeding up Customs and things is happening and I frankly don't know exactly what the real advantage is of being in a Free Zone that you can't have at other places.

It's certainly a viable method or something to help speed things up but it's certainly not a hindrance of course, but I don't know if the competitive advantage is what it used to be because there is so much trade going on between California and China and actually the world. I haven't quite figured out enough what is the real advantage that we can't get in other places.

Commissioner Katz - On that point, I was wondering if because we're their Sister City if we can capitalize on that.

Ken Petrilla - Well, I think so. When I was at Wells Fargo, we did some things with the Sister City and we should. I haven't done anything. I haven't been approached by anyone. We should capitalize on that because the Chinese, as I keep saying, love California and they love San Francisco. San Francisco I believe is the closest North American city to China so we have that advantage.

We have this long cultural heritage together and frankly, the Chinese played a significant role in developing modern California through the railroads and the gold rush. As I said at the beginning of my remarks, my

challenge isn't finding business, it's sorting through it so your points are good. The cruise business is on my to-do list. There are all kinds of things we can do. I haven't capitalized in any way yet on the Sister City relationship with Shanghai but that's something we can do and should do.

Commissioner Brandon - I just want to say that this year is the 35th anniversary of the Shanghai Sister City relationship so it would be a great time to capitalize on that. Thank you so much for your presentation.

Ken Petrilla - You're welcome. I have one last comment because Commissioner Adams brought this up about the American Chamber of Commerce in Shanghai. The American Chamber of Commerce in Shanghai is the oldest Chamber outside of the United States and it's also the largest. They have over 2,000 corporate members. This year, 2015, is their 100th anniversary so it's been a kind of an on-going celebration. The significance for this group is that the current Chairman, who's a successful businessman, but he's the Chairman. He's finishing his fourth year, he is an American who's been in China a long time. His name is Robert Theleen and Commissioner Adams met him. He is a San Franciscan at heart and he has a home in San Francisco and this is where he vacations and he spends his time. We have this huge successful Chamber and we have a friend who runs it in San Francisco.

Commissioner Adams - I'd like to invite you back. I'd definitely like you to come back when you're here in San Francisco and bring us an update. It'd be really nice if you could lead a delegation here to San Francisco. I'm sure once you'll get a chance to do that and definitely would like to give them a tour of the Port of San Francisco. I want to go back to a question that Commissioner Woo Ho asked. Are they also looking for private partnerships to invest in? In your opinion, what are the two things that they're looking for that would make them want to invest in San Francisco?

Ken Petrilla - If I can be candid, one is that they would like to move some money outside of China. California is certainly an attractive place. Secondly, there would be security and investment return. Also the Chinese are keen to be able to have their children go to school here and ideally spend some time here. Those are the things they're the most interested in.

Along those lines, I talked about my challenge wasn't necessarily business development but sorting through opportunities. The other challenge is getting potential investors focused because so much wealth has been created in China in the last 30 years and they are, as I keep saying, keen to invest in the United States. Of course they're investing around the world and keen to invest in California.

I meet with people all the time and they simply say, "I've got a lot of money. I want to invest." Well, we like to talk about what industry you

want to be in, what kind of return, what's the dollar amount, etc. That is also a challenge getting them focused to find out where there is a good fit in terms of I'd like to have a short list in my pocket that when a Chinese investor says, "I want to invest in California," I can just pull it out and say, "Here are five or six projects that need your money" and then we can go from there. Because generally they're not focused and I need to help them get focused.

Commissioner Woo Ho - I just want to make one last comment, I think that we've done some things in the past, conferences, this more relates to the public sector a little bit in terms of a lot of people look at the San Francisco waterfront as a really good example of how we've balanced development in terms of commercial, open space, maritime, etc. It's a constant juggling of balls as we are going through another development of our Waterfront Land Use Plan.

I know that even if you deal with the government side a little bit, there are probably areas of interest. If you were to follow up on Commissioner Adams' point of view, if there were delegations that were public/private delegations, interested in understanding what we're doing in terms of how we're developing our waterfront, I think there are many lessons learned that we have to offer in addition to just the pure commercial aspect of it, which as you know in China, anything that you can provide that's beneficial in addition to the business side of it. It always helps the relationships there. That's something that should be explored in addition to the Shanghai-San Francisco Sister Committee is obviously also a venue for that because that is a part of the quasi sort of private/public sort of government efforts to improve relationships between the two cities. I believe our Mayor will be planning to go back to China next year. That's really on his agenda, but not this year.

Commissioner Katz - I think there is actually a delegation coming from the Shanghai Free Trade Zone, if I recall, to Commissioner Brandon's point, in honor of our anniversary. But also to bring a number of investors over to look at the projects that they've been exploring. That includes some public/private projects at that time. I don't think they've set a date yet but they're looking at some time in November.

Ken Petrilla - I think I've heard about that. There are a lot of delegations and the key thing is to make them worthwhile, get them real focused. The Chinese love coming here to do business and to enjoy our blue sky and sunshine as well.

7. CONSENT

- A. Request approval of the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event, Filming and Public Art Rate Schedule. (Resolution No. 15-21)

- B. Request approval of the Operations Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies Aviation authority to operate its site at San Francisco International Airport as a Foreign Trade Zone No. 3 usage-driven site for a term of five years with one option to extend for four years and outlining conditions for the operation of the site. (Resolution No. 15-22)

ACTION: Port Commissioner Brandon moved approval; Port Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 15-21 and 15-22 were adopted.

8. PLANNING & DEVELOPMENT

- A. Request a fee waiver for a revocable license that allows the Consulate General of Mexico to install a temporary public art installation at Harry Bridges Plaza on The Embarcadero at Market Street for three months. (Resolution No. 15-23)

Kanya Dorland, Port Planning and Development Division - I'm presenting to you a proposed art installation for Harry Bridges Plaza that would be in place for three months and we are requesting a fee waiver for this installation. This installation is referred to as "Nuestros Silencios" or "Our Silences". It comes from the Consulate General of Mexico and Rivelino the artist that created the installation. The Consulate General of Mexico and Rivelino are touring this installation to deliver a message about freedom of expression.

The installation is comprised of 11 pieces. Ten are human figures and one is a cubic sculpture. All of them weigh over a ton and the human figures all have something in front of their mouth. It is an illusion to censorship and to reflect the importance of speaking out. The cubic sculpture piece was created specifically to explain the installation and has pieces on it that you can touch for people with visual disabilities to help explain the installation. This installation toured Europe in 2009 and 2011 and most recently it was at the Port of San Diego at Ruocco Park this January.

The proposed location for this installation is at the Harry Bridges Plaza. It is north of the main circulation zone on the plaza between the Millennial light poles. This location has been used before for Special Events tents, bike valet and for artists' stalls. The proposed installation period is July 15, 2015 to October 15, 2015 and there are no scheduled uses for this area of Harry Bridges Plaza.

The proposed installation is scheduled to coincide with the MEX I AM Festival in San Francisco which is an annual festival that will have events at the Mexican Museum at Fort Mason, Yerba Buena Gardens Museum. It's showcasing the best in Mexican culture and art and ideas and it will start July 19 through July 26, 2015.

The Consulate General of Mexico has stated it will pay for the installation, maintain and remove the installation, but they have requested a waiver of the license fee for the installation.

If the Port Commission approves the proposed location and the waiver for the license fee, the Port would enter into a standard Port License Agreement with the Consulate General of Mexico and this standard License Agreement would include indemnification, security deposit, a requirement to maintain the installation including removing graffiti and to leave the plaza as it was prior to the installation. The Port is also requiring an Encroachment Permit which will ensure that it is sited in a way that is appropriate for a public location.

The Port Commission has in the past waived license and permit fees for public art installations on the following conditions: (1) when the Port doesn't have to support the installation with funds; (2) when the location is not needed for any other purpose; and (3) when it can be demonstrated that the installation would benefit the Public Trust.

Harry Bridges Plaza will not be needed for any Special Events or commercial uses during the proposed time period for this installation, which is July 15 to October 15, 2015. The Port will not expend any money on this installation. I've interviewed staff at the Port of San Diego, and they've all stated that this installation was received well by the public so we believe it would be a benefit to the Public Trust. In addition, Harry Bridges Plaza is a great place to site public art.

To assist with this fee waiver request, I've invited staff of the Consulate General of Mexico, including their attorney, to help explain their past agreements in installations in other locations. I've also invited Jill Manton with the Arts Commission as she was the staff who brought this installation to the Port.

Jill Manton - I'm very pleased to be here to speak on behalf of the Arts Commission. I'm here to speak in support of "Nuestros Silencios" by José Rivelino Moreno Valle. Although this project does not fall under the official purview of the Arts Commission, the San Francisco Arts Commission Public Art staff strongly support this project for many reasons.

The installation of 11 bold sculptures that comprise "Nuestros Silencios" will have a striking presence on the Embarcadero and Harry Bridges Plaza. It will announce that San Francisco is a city of the arts and cultural experiences and is certainly to be intellectually provocative to its visitor. The scale of the work and the critical mass of the installation is perfectly suited to that of the plaza. Moreover, a special added advantage of the work is that it is designed to be accessible to sight impaired persons which is always a goal of the Arts Commission's.

The concept of the sculpture, based upon the importance of freedom of speech is resonant with something all San Franciscans can appreciate and frequently demonstrate, whether expressing their opinions at public meetings like this or protesting in front of City Hall. San Francisco will join international cities and culture capitals from around the world in displaying this artwork. It will further our reputation as a cultural destination and will connect the Port and thereby the city to the next IM International Art and Idea Festival this summer that is sponsored by the Mexican Consulate.

The Arts Commission thanks and commends the Port for your ongoing support of public art that represents a diverse range of artistic styles from both local and international artists. We think this project is a winner on all accounts. Thank you so much for your time.

Commissioner Brandon - This looks like a wonderful idea. They weigh so much. How are they going to get it here? What is the fee that we're waiving?

Kanya Dorland - We're waiving the license fee, which is the rent, for three months from July 15 to October 15 for using Harry Bridges Plaza North.

Commissioner Brandon - What is the fee?

Kanya Dorland - That's an interesting question because we've used it for Special Events and when it's been for Special Events, it's been part of a larger event. The price for using that one area is hard to determine. We do know the commercial fee for the plaza area, but we've never achieved it at that location with the artist stalls. It could be as much as \$3,000-\$4,000 but we've never achieved that there if we charged commercial for that location.

Commissioner Brandon - Is it \$3,000-\$4,000 a month or is that the overall fee?

Kanya Dorland - It's the overall fee.

Commissioner Woo Ho - Commissioner Brandon asked my question. We just wanted to know what the fee was. We support this and don't have a problem with the waiver but we just wanted to be sure we understood what we were waiving.

Monique Moyer - To say it another way, in your rental rate schedule, you do not have a set fee for this portion of the waterfront if you will. We don't traditionally rent out this portion of the waterfront. We've only listed it on your rental rate schedule as a Special Event location and the only fee we have is for use of the plaza as a Special Event. That's why Kanya is fabricating a bit on what would be a commercially viable fee for something like this, but the comparable we do have would be the artists stalls.

Commissioner Woo Ho - I have one other question on the liability side. If there was any defacing, marking or whatever, who carries the burden? Is there insurance that covers that kind of liability?

Kanya Dorland - It's a great question and it's a concern that we all had and shared with the Consulate General of Mexico that this location would likely get graffiti. As part of the license agreement and encroachment permit, they be responsible for maintaining it and removing the graffiti. They are required to provide liability insurance for the installation to City standards and they have agreed to that and provided their Certificate of Insurance that they used at the Port of San Diego as an example.

Commissioner Woo Ho - In the other cities that they've exhibited this art work, was there any special precautions taken to protect the sculptures? I understand we put the onus on them and that's the right answer, but what's the execution to protect the artwork?

Kanya Dorland - Excellent question. I will ask the Consulate General to come up now and explain how the installation will be installed to prevent damage.

Andres Isaac Roemer Slomianski - It's an honor to be with you. I'm the Consul General of Mexico in San Francisco. First of all, thank you very much for the timing. We have done this in 12 cities and we have hired security to protect it and we have the insurance coverage. San Francisco was chosen, among 50 consulates in the United States, for the MEX I AM Festival. San Francisco was chosen twice to hold the MEX I AM Festival as it's an icon for the world.

The relationship that Mayor Lee and Governor Brown has with Mexico's President Enrique Peña Nieto gave a special momentum to bring a presence and to strengthen our relations with San Francisco. There was a big effort to include Rivelino's work in the MEX I AM festival. San Francisco is an icon city and this is the place to do it.

Believe me, we are much more concerned about the protection of our patrimony and our art than no one else. We have been very aware about problems of graffiti, any kind of problems about art. You can be sure that we're concerned about that more than you, and that we'll do everything to have a great experience here with the people. You're invited, by the way, to the MEX I AM festival in the Palace of Fine Arts on July 22, 2015.

We're bringing Yuan Yuan Tan, the great dancer from your ballet, with two great Mexican dancers. One is here and also in your ballet and we're having a whole week of food, experiences and tastes of Mexico with Mexican Americans here. Everything is to do with Mexican Americans and with Mexicans from Mexico.

Commissioner Woo Ho - I was very glad to hear that you are as concerned, we just want to not see anything come to harm with this great artwork. I'm sure you're right, you should be more concerned than we are, but we want to make sure that our end of the bargain is also maintained.

Commissioner Adams - I speak in favor of this. I'm looking forward to meeting Commissioner Woo Ho with our sombreros and doing the Cha Cha down there. It's really an honor to have this artwork on our waterfront. It speaks to the diversity and the culture of San Francisco and I can't think of a better place for it to be. It's been in 12 other cities, and so for us to have it here in San Francisco, we should consider ourselves honored to have it. It speaks of how well San Francisco is thought of. I support this and thank you for being here and I look forward to going to it. The citizens of this city will enjoy this and will have such an iconic presence. It adds to our diversity and I'm really happy that we have it here at the Port and not some other part of the city.

Commissioner Katz - I echo the remarks of my colleagues and having literally just returned from Mexico last night, it has a special importance for me. I really do thank you for the honor of selecting San Francisco and in particular the Port to host this beautiful work. We're very excited and you get the sense from all of us that we're very pleased to have it here. Kanya, thank you for your work on making this happen.

I want to highlight that it's at the Harry Bridges Plaza. Given that it's title is Freedom of Expression, I can't think of a better location. We're thrilled to have it at the Port but in particular at Harry Bridges Plaza because that's what Harry really stood for and he was often attacked because of his own attempts at freedom of expression. It's so fitting that that's the plaza where it will be held. There's an extra parallel in that location so we're all delighted to have it there.

I know we've discussed general policies with respect to artwork on Port property. Director Moyer, are you looking into something along those lines?

Monique Moyer - Actually you just approved that in your rental rate schedule. In fact because of the timing, the approval that you just passed could have covered this but we determined that it was important enough to bring it forward. In the future what would happen is we would bring it forward just as an informational item and an installation of this magnitude and significance would be a fee waiver for all the reasons that Kanya just articulated. You have to meet those criteria.

Commissioner Katz - Also, we aren't displacing any of the current vendors, correct?. This isn't in an area that they're even typically set up, is it?

Kanya Dorland - This location had artist stalls a couple years ago, but they didn't like that location so they moved on. Currently, we don't have anything there and we don't have anything planned.

Commissioner Katz – I'm just pointing that out. We're very honored to have the installation and looking forward to the celebrations that will be coming with the MEX I Am Festival. Thank you very much.

ACTION: Port Commissioner Brandon moved approval; Port Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 15-23 was adopted.

9. MARITIME

- A. Request authorization to execute a Contract Modification to Construction Contract No. 2746, Maintenance Dredging 2011-2015 Project with Dutra Dredging Company, to increase the contract amount by \$1,200,000 to a Total Contract Amount of \$17,101,050. (Resolution No. 15-24)

Ken Chu, Project Engineer for the Maintenance Dredging Contract - On April 26, 2011, Port Commission authorized the Maintenance Dredging Contract to Dutra Dredging Company for the amount of \$15,901,050 over its five-year term from 2011 to 2015. As of today, \$12, 892,552 has been expended.

When the original dredging contract was approved, the 34th America's Cup was not yet known. Then the dredging at Pier 30/32 was required. This increased our dredging expenses. Therefore, the remaining contract amount is insufficient for the upcoming dredging at Pier 35 and 27. Those dredging are scheduled between October and November of this year. This requested increase of \$1,200,000 in contract value is necessary to complete the dredging events for this year.

Commissioner Brandon - When will we rebid this contract?

Ken Chu - We plan to come to the Port Commission sometime in September or October to ask your approval to advertise this project.

Commissioner Brandon - Is Dutra the only dredging company in the area?

Ken Chu - For the last contract, they're the only dredging company that bid for the contract.

Commissioner Brandon – Right, but are there other competitors that perform dredging work? Because it seems like we've been with Dutra for a long time. I'm not saying that there's anything wrong with it, I'm just asking.

Ken Chu – Yes, Dutra's been our dredging contractor for a long time. Although we did have some other requests for information and others

interested in bidding the project, Dutra Dredging Company is the only one that bid for the project. For the new contract, we are going to do more advertising.

Commissioner Brandon - Okay. Thank you.

John Davey, Maritime Division – To further answer your question, there's principally two contractors in the Bay that regularly bid on dredging contracts. That's Manson Construction and Dutra Construction. Ken's correct, in the last two cycles, Dutra's been the awarded bidder. There is potentially a third contractor, Great Lakes, that does work on the West Coast and has preference here in the bridge construction. We're going to do whatever we can to get as many bids in this next contract cycle as we can.

Commissioner Brandon - Okay, thank you.

Commissioner Woo Ho – Does this contract cover all dredging for the Port because we're going to look at how the Cruise Ship Terminal is operating. One of the increased costs there supposedly is dredging. It is higher than anticipated. Is that just in a separate allocation of P&L or incremental dredging?

John Davey - Our dredging contract covers all the areas within the Port that we're permitted to dredge. Each year, over the course of those five years, we project the sites that we dredge and those include Pier 27 and 35. The comment about the anticipated increase in dredging costs at Pier 27 is in part comes from our initial putting together the new bid contract cycle, knowing what some of the escalators are in the dredging world and that our contract is no doubt going to be higher in unit costs than the present.

Commissioner Woo Ho – But is it covered under this contract?

Monique Moyer - In other words, you are correct Commissioner. This contract covers the actual payment for the work. The next item covers the P&L for that facility. It's actually paid for through this contract and we're accounting for it in the next item so that you can see the full picture of the facility but you are correct.

Commissioner Adams – This project will basically cover Piers 27 and 35, correct? This has nothing to do with what we're doing with the Park Service and other things. Can you explain that to me?

Monique Moyer - To my knowledge, we do not do any dredging at Pier 31½, is that correct? That is the dredging done by Hornblower, right?

John Davey – Correct, there hasn't been any dredging done at Pier 31 in the past for many years. It's not required for the activities that are there.

Commissioner Adams – So this is just for Piers 27 and 35?

Monique Moyer - To be super clear, this contract covers dredging that the Port pays for at Port facilities and there may be dredging at Port facilities paid for by a tenant. This is not covered in this contract.

Commissioner Adams – Okay, I got it.

Commissioner Katz - Just for clarification for everyone, this is just for the remainder of the 2015 year. As I understand it, there'll be a new RFP put out for dredging for us after that date.

John Davey – Correct. The increase in the contract to our amount is to cover the jobs that are scheduled for this year at Piers 27 and 35 which will then conclude the contract period. We will initiate a new one in the next contract cycle.

Commissioner Brandon - On average, how much does it cost us to dredge a year? Is it \$4.4 million?

John Davey - The total dredging is right around \$4 million. About \$2.3-2.4 million of that is actually for the digging costs that Dutra does. There are additional costs such as consulting for scientific sampling, testing and preparatory work to do a dredging cycle.

Commissioner Woo Ho - That prompts me to ask a technical question. How does it build up so quickly every year that we have to dredge so much?

John Davey - That's a complex question in regards to the bathymetry there and how much of it is influenced by currents, the material that's moving around within the Bay, the activity in the berth and then also a certain amount of material that comes down out of the delta region.

Right now, there's some speculation that, with the drought, there could be actually less amounts coming down into the Bay in terms of new material that's coming from the delta but it's been averaging about 18-20, about two feet a year in the Pier 27 area where we have dredged just about every year for the last 15 years. We have a pretty good set of data to do a probability on that. The first dredging done in the more recent times is in 2006 so it's a little harder to judge. It's also a little different situation in the Bay in terms of the current and the Golden Gate.

Commissioner Woo Ho - So we actually end up with a depth of how much that we have to provide the ships?

John Davey - The controlling depth at our cruise terminal is 35 feet. That's what we dig to.

Commissioner Adams - Commissioner Woo Ho, it doesn't matter what depth. Dredging is an ongoing deal. It's just like maintenance of your car.

Commissioner Woo Ho - I understand that. I'm just wondering.

Commissioner Adams - It's an ongoing thing. We're going to have to be constantly dredging. We're never going to have to stop dredging. It's an ongoing factor.

Commissioner Woo Ho - I'm just wondering if somebody comes up with a technology that helps to move the earth around differently.

Commissioner Adams - No, it's an ongoing maintenance. You've got to do it.

Commissioner Katz - I know we'll cover it a little bit in our next item. But in terms of the approximate annual cost for dredging, now that we have this new berth, will that result in any increase in our annual costs? Will they be shifted? In our next item it says, "the annual dredging costs are approximately \$3.8 million," which comports to roughly what the contract amount originally contained. Now that we've had a bit more time with this site being open, do you think that will change at all?

John Davey - The dredging contract covers areas in addition to the Cruise Terminal such as Pier 80 and periodically at Fisherman's Wharf. The introduction of Pier 27 and its costs to the dredging program is going to cause some increases in some areas. But some of that can be shifted and mitigated by scheduling different projects at different times throughout the five year cycle of it.

In addition to what we believe is going to be some initial increase due to the contract amount, there is a potential for Pier 27 to add to the overall dredging costs but we do have methods and ways of shifting some of the projects to try and mitigate that. We're not quite sure every year how much Pier 27 will dissipate, because the last time we dredged it, we let it go for two years because we had America's Cup there so we lost some data there. As we do it more frequently, we'll be able to zone in on what kind of materials we'll have to do each year.

Commissioner Katz – Did we have a significant dredging program pre-America's Cup at Pier 27?

John Davey - Yes, we dredged it twice. We dredged it initially to take it down to the depths of 35 feet alongside in the berth while it was still the old cargo shed. When we built the design for the new cruise terminal, that dredge area was widened so that it gave a wider approach for the cruise ships to dock so it added a little bit more but now we have that full area dug down to the depth. It's maintaining that depth which should be slightly less than the initial digging costs were.

Commissioner Adams - What kind of leeway does the Port have of asking Boxer or Pelosi or Garamendi or the Army Corps of Engineers, especially

MARAD, for dredging grants? Do we apply? I've heard for Daley that we apply for certain grants but does that fall under what we're doing as far as dredging? Can those grants be sought out like through MARAD or the Army Corps of Engineers?

John Davey - For the berths themselves like we're talking about at Pier 27 or 35, there are no programs currently in place that the Army Corps of Engineers would enter into agreements. We are doing one in the Central Basin through the Army Corps of Engineers, but that's a separate project. It'll be outside this contract.

Monique Moyer - Commissioner, of interest to you is in the conversations around the Harbor Maintenance Tax. One of the key things that the ports are striving for is to get dredging included as a rebate item so that dredging could be done right now. The federal programs will fund, as John mentioned, dredging in a federal waterway, a federal channel. The actual berth is considered ours. The approach to the berth is federal but it's deep enough.

We've made the case in the Central Basin for the ship repair yard that some of that is federal waters. As you know, we've put in for money. It got line itemed. We've not actually received the cash. As you know well, the Harbor Maintenance Tax discussion has moved a bit this summer and we're hoping it will continue to move. Depending on how it falls out, dredging could be a component that would be eligible for a rebate.

ACTION: Port Commissioner Brandon moved approval; Port Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 15-23 was adopted.

B. Status report on the James R. Herman Cruise Terminal and Pier 35 Activity for the period of September 2014 to June 2015.

Peter Dailey, Deputy Director Maritime - The James R. Herman Cruise Terminal at Pier 27, the only cruise terminal named after a Labor Leader in the world, welcomed its first cruise ship, the Crown Princess, a little bit over nine months ago. Since then, the Port has received 64 additional ship calls with approximately 227,000 embarking and disembarking passengers.

The new terminal and plaza has transformed Pier 27 from an underused, view-blocking, a warehouse, to San Francisco's newest civic jewel. Public access now includes the two and half acre cruise terminal plaza where visitors and residents alike have a new public space that allows them to get close to the ocean going ships that are berthed adjacent to the plaza. On non-cruise ship days, the terminal has been used for civic and corporate events including several from San Francisco's growing tech sector.

The facility has hosted 26 Special Events, and one of the first being the San Francisco Giants celebration of the World Series participation in 2014. This represents a very strong start.

The James R. Herman Cruise Terminal and Plaza represents probably the largest investment in Port infrastructure for 100 years by a Port Commission. It provides the city with a nexus of transportation, employment, exploration, recreation and the site is now one of the region's premier event venues. The spectacle of an arriving cruise ship there is now there for all to see. The openness of the terminal and the Public Access allows folks unparalleled view of ship operations.

Working a ship is not an easy job. Working a cruise ship is really not an easy job. On a typical call, a ship arrives at 7:00 a.m. and departs at 4:00 p.m. During this window, approximately 5,200 guests will disembark and embark and approximately 1,000 members of the crew will get on and off the ship. Longshore workers will handle in excess of 12,000 pieces of luggage and load nearly 400 pallets of stores and provisions.

While this is going on, U.S. Customs and Border Protection staff process disembarking passengers while Local 75 watchmen and women screen embarking passengers. Fuel and fresh water is loaded and garbage and recycle materials are unloaded on the barges for processing.

The ship is also being plugged into the electrical power which reduces air emissions to virtually nothing. Each home ported ship that comes into Port is the equivalent of nearly fifteen 747s landing and discharging passengers at the same time. It's a big operation. The Port and, we've called them Metro, but their technical name is Pacific Cruise Ship Terminals (PCST), our operator, have learned a lot in the last nine months regarding the operation of the facility. We've met with various users of the terminal including passengers, cruise lines, event planners, and members of the public to seek feedback to continuously improve the customer experience.

While the logistics of operating the terminal are daunting, and particularly on the heavily travelled Embarcadero, it has been a challenge. The terminal operations are steadily improving.

On the cruise side, cruise only revenue is strong. We anticipate revenues in the next full fiscal years of cruise only of about \$5.6 million. Our cruise ship volume is growing steadily. Over the last five years, we've moved from 116,000 guests on 44 ship calls to a record in 2014 of 250,000 guests on 73 calls. This year we'll have 276,000 visitors on 76 calls, another record. Next year, in 2016, we expect a record again with 300,000 passengers.

The Port has increased our marketing effort including designing and placing two new cruise ads. We're actively meeting with cruise line decision makers in Miami, Los Angeles, and Seattle. We participate in regional and national

cruise organizations and have developed strong personal relationships with many of the major players in the industry. Our bookings in 2016 are strong. We have 80 confirmed berth reservations to date including Crystal Cruise's deluxe 102-night world cruise beginning and ending in San Francisco.

In spite of strong cruise volumes and associated revenues, challenges remain as cruise lines have raised concern about the high manning levels and related costs of calling San Francisco as compared to other West Coast ports. It's a competitive business. Operationally, after nine months of operation, two major issues emerged that need attention. First, we had issues with Customs and Immigration. When you get off the ship and go through Customs at Pier 27, it's just like an airport. In the olden days at Pier 35, you did Customs and Immigration on board the ship.

Initially the lines were long, and that delayed the disembark which in turn delayed the embark which caused traffic on the Embarcadero. Port and PCST staffs met with senior U.S. Customs and Border Protection officials to discuss this issue in trying to find out what the ways to speed up the process. The good news is that U.S. Customs has been very helpful in streamlining the clearance procedures for disembarking guests. It's been well received by the guests. It saves enormous amounts of time and our guest satisfaction scores have increased greatly. So to those who say that Customs cannot help us, are wrong. They've been a real ally and a real stakeholder with us.

Secondly, the biggest issue on the terminal operationally has been traffic management on the Embarcadero. Their first several calls there, it was a learning experience and there was back-up on the Embarcadero that was attributed directly to the cruise operations. We have since then been working closely with the San Francisco Public Works and the San Francisco Metropolitan Transportation Authority to streamline vehicular ingress and egress. We currently hired seven SFPD officers for traffic control at the entrance to keep northbound traffic flowing and to ensure pedestrian and bicycle safety at the terminal entrance and exits.

An issue that started to cause a lot of the back-ups that we notice were that people would come up the Embarcadero northbound, they would pull over onto the bike lane to let passengers off instead of going into the terminal. This blocked a lane which obviously will block the Embarcadero. Since then we have filled in four old driveways along the pier frontage to discourage that. We've installed new "No Parking" and Pier 27 "Pickup and Drop-off Ahead" signs. We've installed permanent and temporary vehicle bollards in the driveway and installed other new signs to prevent vehicles from stopping on the Embarcadero.

We're also in the process of reconfiguring the entrance and exit driveway to the GTA that will allow smoother transit. We're working with MTA to work on the electric reader signs that you see on the Southern Embarcadero by the ballpark that if we can place on the Northern Embarcadero to let people

know what's going on, what the delay is for, or offer them different traffic routes.

We're also working with the cruise lines to improve advanced information on the number and timing of buses arriving for a ship call. Oftentimes 30 buses would arrive at one moment and now, since we've met with the cruise lines, they are staggering them throughout the embarkation period thus taking the peaks off and taking the pressure off the Embarcadero.

Second line of business, Special Events. Early Special Events results have been very good despite little marketing and lead time. Pricing and our terminal demand are strong. Special Events usually take about a year to book in advance, sometimes more. the cruise ship calls have the first priority and the calendar opens for Special Events 14 months in advance. PCST, the events side, has had 26 events at Pier 27 in the first nine months without the typical advanced booking periods.

The number of events booked in the first nine months and the type of events and the average price point gives us real reason for optimism that our revenue will meet our original projections in the next fiscal year. The type of events that have been held there, it's a Who's Who of Fortune 500 companies. Some of the highlights – LinkedIn, Salesforce's holiday party in 2014 and the Giants' party.

Since 2015 we've had Apple Computer, Sun Power, DevNetwork, Concur Technologies, Cappa Graham -- I don't know who these people are but they're big shots. Salesforce has used it again, they've booked it for the second time. This week, if you drive by Pier 27, the Ford Motor Company has taken the whole facility for the entire week and they're doing an unveiling of the new technology that's embedded into their automobiles. The Chairman of the Ford Motor Company is making an address to the tech companies here in San Francisco. The GTA is being used for exhibits of self-driving cars, etc.

Other users include the San Francisco Opera Guild. Commissioner Woo Ho, I don't know if you had a hand in that, but if you did, thank you very much. We've had San Francisco Design Week and a number of different activities. The event stuff is strong and it's growing.

One of the unusual pieces of business that we obtained that we didn't really expect was this fall, Salesforce will be chartering the Celebrity Infinity for six days to berth at Pier 27 to serve as a hotel. There are no hotel rooms available in the City and County of San Francisco for this event. It draws hundreds of thousands of people. We need to work closely with the Hotel Council and San Francisco Travel to make sure we're not stepping on any toes. We will do that going forward but it's an easy \$250,000 in our pocket that we haven't anticipated going forward.

If anybody wants to rent the building, it costs \$35,000 a day. PCST staff John Oldefendt's the Events General Manager and Kevin Wong's the Terminal Manager are here today. They have hired additional staff due to the unprecedented demand for events at the facility. We're very confident that line of business will continue to be strong.

We heard earlier about the Symphony playing in the park in July. That's a wonderful event for San Francisco and to acquaint this facility to the rest of the residents of San Francisco. The plaza, the GTA and the tip of the pier are all available for special types of activities. The BCDC permit in these areas stipulates that the Port develop a program to enliven the space, drawing the public out to the tip and provide activities that are free of charge and open to the public. The Symphony is a perfect example of this type of activity.

We envision developing a robust series of public events in this unique location such as showing a movie at night on the lawn. Or somebody sent me an email the other day about having a silent disco. I had to look that up on Google and it's a disco where you wear headphones and everybody dances, but there's no noise. People on Telegraph Hill will love that.

One of the really unique attributes of this terminal, and I've been to 100 cruise terminals around the world, this is probably the most accessible to the public of any I've ever seen. Large areas that were blocked by the warehouse are now open to the public.

Initially, we have had some difficulty making sure that all the Public Access is open when it should be, as we said it was going to be. There were some bumps in the road but we're confident that we've gotten past that. We still have some concern about opening public access on the apron. There are the high voltage Davit cranes for the shore side power and the gangway which will be accessible to anybody walking down the apron. We will anticipate opening that up during the daylight hours by August once we have barriers in place to keep people from jumping around on them and using them as a jungle gym.

We've updated our web site last week with new maps that are in your package that show people what's available and what's open at the terminal. Our planning team is working to install new interpretive signage at the facility so not only can they walk out there, there is some information as to what they're looking at and the importance of it.

Parking is another line of business out there. However, our parking revenues have been lower than we have anticipated. PCST and their parking contractor Impark are in charge of the parking. There have been factors that explain the revenue shortfall on the parking: (1) We received regulatory approval from BCDC to park in the GTA in February of this year. So it was a little bit later than the terminal opened. The Pier 35 valet parking, which we

think will be a winner, there was some technical things we have to do inside the shed with the CO2 monitors and some fire safety apparatus that we are in the process of installing. We think that will be open and operational in August as well.

Additionally, it's a matter of training visitors that this is a new parking opportunity. PCST and Impark are going to add signage, employ flagman, market the Pier as a parking option to nearby attraction such as Alcatraz, Cruises, or the Exploratorium.

Generally cruise shipping has a huge economic impact to our city. Every ship brings about a million dollars of economic benefit to the City. It's a job creator. There are a number of people working at the cruise terminal - the taxi cabs, the shipyard workers, the hotel workers, etc. They're all involved and it's a benefit to the city. We generate with 76 calls each year, \$76 million of economic benefit for the region and tax revenue directly to the City is about \$225,000 excluding our direct revenue. The cruise business is strong and, after nine months, we're confident that the revenues will continue to be strong.

One of the biggest issues that we talked about is dredging and that is a big expense that has a great impact on our expenses. Our dredging numbers are 50% higher than anticipated. We informed the Commission in 2013 that the regulatory environment was getting significantly stricter, that there was a possibility of the allowance of disposing of the dredge spoils upland, which is very expensive versus out to sea or in the Bay, was changing. The Army Corps of Engineers, the BCDC and the Water Board have decreased the amount of In Bay disposal and increased the amount that we are mandated to put up in restoring wetlands or upland disposal or ocean disposal so our costs have gone up significantly.

It's timely that our dredging contract is coming for renewal. It's a five year contract. It's going to be coming back to the Commission for a renewal for a new dredging contract for the next five years. We have worked with our dredging consultants and talked to various contractors about strategies to mitigate these increasingly high dredging costs. We think that we can do outreach for more bidders.

As John Davey pointed out, there are just a small amount of dredgers in the Bay that do this kind of work. There are other dredgers in the area, or in the region, that could be brought into play. We're going to do an extensive outreach to them. With our quantities, we think we can make it attractive for them. We think that more competition would help reduce the unit costs.

There's a finite window when you can do your dredging. There are exceptions to allow you to do it in the off season. You have a finite window when you can do the dredging. All the dredging needs of the Bay, all the ports, you have to work within that parameter. There is some leeway for off

season dredging that we may qualify for and by getting it off season we think that the unit cost could be lower because there's less business and people might be hungrier to negotiate with us.

Two other ideas that we can explore are possible wetland restoration and/or dredged soil sites on our own property because that's the real expense. It's not getting the mud. It's where you put the mud and how you deal with it going forward. In the old days, the Port used to have our own dredger. We used to have a pile crew that go out and do the dredging themselves.

Working with Tom Carter and our crew and our consultants, we're going to look at all these alternatives. When we come back to you with the dredging contract by the end of the year, we hope to have some creative ideas to bring our unit costs down going forward.

We're optimistic. It's a beautiful terminal. Two weeks ago I got a call from a senior executive from Carnival Corporation from Washington D.C. who said, "Look, I'm going to be in San Francisco. I want to see the terminal. I've heard so much about it." We walked him down and toured it. He said, "It's the best terminal in North America." This guy's seen them all. He was very, very impressed.

We have a lot of work to do going forward. The dredging numbers are worrisome but we do think that the business lines revenue will increase and meet our expectations.

Commissioner Woo Ho - I know a lot of work went into giving us this report but it's very important as we celebrate the success of the new terminal. We all agree that it's beautiful and many people comment on being able to see all the cruise ships coming in. I want to celebrate along with the staff and with our terminal operators that we have done a good job. Obviously there are some areas that we're still trying to work through.

You mentioned that the customs made some changes. Can you explain what they did to make the process work faster? I also wanted to comment on my recent experience going through San Francisco Airport. I know they're making some improvements all around.

Peter Dailey - There was a specific change which has to do with foreign passengers coming off cruise ships. They no longer have to scan passports. You just have to wave your passport now. That was a huge impediment that they've waived.

Commissioner Woo Ho - For disembarking or embarking?

Peter Dailey - Disembarking.

Commissioner Woo Ho - Because you've already checked them at embarking, so disembarking presumably, they should be safe.

Peter Dailey – Customs have streamlined the process. Instead of every passenger having to go to the little disk and get their eyes scanned or their fingers scanned and all the biometrics, now they've streamlined it to just visually looking at the passport and then waving passengers through.

Commissioner Woo Ho - Right, since presumably that's been checked already on the embarking and you haven't gone anywhere else. I want to make a comment on that because just having gone through the San Francisco Airport the other day. Some of us are on Global Entry which hopefully they will incorporate that at the terminal. Even if you're not Global Entry, they now have self-service kiosks for U.S. citizens and permanent residents and that seems to speed up immigration line quite a bit. -

Monique Moyer - I had the opposite on Saturday. It was very slow.

Commissioner Woo Ho - I think it's also people getting used to it. Cruise ship people tend to take many cruises. They're used to the ins and outs and these are not usually one time passengers. At the front of the line, it was much faster than waiting in line. They have self-service kiosks which is the concept. Would they consider putting self-service kiosks in the terminal, whether it's global entry or regular passport? The kiosks could be movable. When you don't need them, you move them out.

Peter Dailey - I'm glad you brought that up because in the United States, not yet in cruise terminals such as ours with our volume. However the Canadian customs has just installed kiosks at Canada Place in Vancouver and they're going to do it in the East Coast as well. In a trade periodical that I read last week that was describing this, they expect that the U.S. Customs will follow suit. The question's going to be, "Who pays for them?" Is it like at the airport, there's some contribution, they have to buy the apparatus themselves. It's an issue that is obviously coming. We just don't have it yet.

Commissioner Woo Ho - You can talk to the airport in terms of how that's working. We all now do self-service check-in at the airport. It took a while to get used to that, but we all do it. Do we have any pop-up retail food service in the cruise ship terminal when we have cruise ships and is that an opportunity that can be considered? Not only because of the possibility of revenue, but also as a convenience to passengers. Since I've done many cruises myself, sometimes somebody wants something on the ground and there's nothing there.

Peter Dailey - We haven't done it to date but there have been discussions regarding a hot dog stand or a cold drinks stand or something like you see on the streets of San Francisco.

Commissioner Woo Ho - We should also focus on San Francisco Made and perhaps an entrepreneurial person would be interested in setting up a little pop-up cart. Obviously, it's not a permanent thing. We can focus on highlighting San Francisco in terms of increasing some revenue opportunities for our small businesses as well as for us.

Peter Dailey - Okay.

Commissioner Woo Ho - With regards to Special Events, are we still using Hartmann Studios as the major consultant?

Peter Dailey - Yes.

Commissioner Woo Ho - I read in the report that when somebody wants multiple, multi-days use of the terminal event space, we don't have the schedule to offer.

Peter Dailey - We need 24 hours before a ship arrives and 15 hours after the ship departs to clean the terminal from a security standpoint so that it an impediment to allowing them to book. So far, they've been creative and have worked around it. Our cruise bookings are pretty solid once we get them. They've been able to kind of be creative.

Commissioner Woo Ho - We've had 26 Special Events and they seem to be very high profile, great events. Going forward, with the fact that we have the 14 months to schedule in advance, is there some projection of whether the 26 is sort of the level that we expect or we go up? I'm also harking back to TMGs forecast of what they think they can do. How high is high?

Peter Dailey - Our forecast of 52 was the medium on an annual basis. We haven't really hit the mark.

Commissioner Woo Ho - With the experience that we have, do we think that is the right number?

John Oldefendt - I work with Metro Shore Services and Metro Events which is part of the PCST program at the Cruise Terminal. So far, yeah, event interest has been very strong and at this point we have a little over a million dollars in event revenues for this year that's confirmed and probably another \$4-500,000 in event bookings that we're anticipating through the end of the year.

It's not so much about how many events you have, it's about how big they are. For example, the Ford Motor Company event that we're hosting right now is a five day event and that's a very high revenue event for us. Having one of those is equivalent to having five single day events.

Commissioner Woo Ho - If we did it in dollars instead of actual number of events, what would you expect over the next 12-24 months?

John Oldefendt - Looking at what we've done so far and what we're working with at the moment that's not confirmed but looking promising, I would anticipate somewhere in the \$1.5 million revenue range for the year 2015 which is above our initial projections.

Commissioner Woo Ho - At this point, do you think the marketing in terms of those who need to know that we have this facility, is that marketing done or is it still in process?

John Oldefendt - We've been very successful with minimal marketing. It's a very small industry. The people who need to know, know about it. One event will come there and there might be 10 or 15 people at that event that talk to other people in their companies and they come down. It's a small community and people really are in the know at the moment because we have not had to market.

Commissioner Woo Ho - Do we have bookings for SuperBowl at this point?

John Oldefendt - Yes, definitely. We're working with the SuperBowl Committee to organize that as well.

Commissioner Woo Ho - I want to go back to traffic issue because I did raise it at one of the Commission meetings myself. I'm glad to hear some of the improvements that are being made and hopefully that there's more direction being given because the day that I was there, there was no direction. I hope that we're continuing to figure out how to work the traffic flows and give people alternate ways to go down the Embarcadero so that we don't run into that. Because that's a negative experience before you get on the ship.

Peter Dailey - We've done some review and timing of the throughput and we've seen improvement. We have Princess Cruises, every ship, their guests fill out a satisfaction survey. Princess Cruises, gives that to us and it tracks ingress, egress, embark, disembark, and we could see from those ratings, our ratings for the embark are improving as we've improved the traffic flow on the Embarcadero. The cruise lines are very scientific when it comes to that kind of thing. We've seen continual improvement in the metrics that they've provided us.

We have a ways to go. One delivery truck that stalls can make an impact. We've seen clear improvement but we have a ways to go to make sure it's as streamlined as we possibly can make it.

Commissioner Woo Ho - I'm wondering if sometimes people can be directed to come straight on and what that street is instead of coming down Embarcadero, that they come further down. If they understood that because

most people think they have to go on the Embarcadero to get there and that's where they get stuck.

Peter Dailey - I think one of the ideas of having the signs up like we have on the Southern Embarcadero when there is a congestion, they can offer alternative routing on those signs but that's a good idea.

Commissioner Woo Ho - Lastly, I'm glad to hear about the dredging. My assumption in the way you described it is dropping the mud in the ocean which there's more restrictions is probably the least expensive alternative versus upland and wetland restoration?

Peter Dailey - Bay disposal is the least expensive. Upland or wetland restoration is significantly more expensive. Disposal in bay is being reduced severely by the regulatory agencies.

Commissioner Woo Ho - Are they fully understanding what impact that has on us? Are there scientific reasons why in bay is dangerous?

Peter Dailey - I asked our dredging consultant this morning that very question and her response was that economics seems to be not a big priority when it comes to this regulation.

Commissioner Woo Ho - But there's something about preserving the Bay.

Peter Dailey - Yes, there is. There's science involved with preserving the Bay.

Commissioner Woo Ho - I'm glad to hear that we are considering in-house dredging because it would be interesting to compare the business model to see whether we could do it more efficiently, effectively ourselves since it seems to be a major maintenance issue that we have to face. It's not a one time, every few years. It's a constant issue. It does make sense to consider whether we bring it in house.

Commissioner Brandon - Thank you Peter. That's a great presentation and I think the facility is just phenomenal. It's a beautiful site. I still can't believe that we actually did it. It appears that even though our income is still negative, we have more projected income than we thought, right? Am I reading that right?

Peter Dailey - Part of the issue with this update quite frankly is it's a nine month period. We usually look at these things in annual and fiscal year snapshots. Our revenue, with caveats, is strong. We think there are growing pains in terms of events and parking. The cruise revenues are just strong. That's our main priority. The real issue has been on the expense side.

Commissioner Brandon - You also mentioned that there were issues with the passenger fee and some people in the industry think that they're too high here.

Peter Dailey - We're not a cheap port. We provide a good service and a world class experience and the cruise lines pay for that. If you recall, we increased our passenger fee per head from \$12 a passenger to \$18 a passenger to help pay for the terminal. The cruise lines don't like it but they understood. They see the facility and they get it but we are a competitive market. San Diego charges \$6 or \$7 per passenger going on and off the ship. Our labor costs are high. We have good labor and they do a good job, but our costs are high.

Monique Moyer - I think your question on how do our revenues look going forward? You're making a very good point. If you look at the table that's on page five of the staff report, if you look at the revenues for debt service, historically the Port has managed its cruise business to cover expenses. To break even covering expenses, not capital investment. We are doing that and then some as you can see. Historically we would've considered this a banner year. When the decision was made to proceed with this project initially, we did not anticipate that we would be able to cover debt service. But as time evolved, we became more convinced that with the raising of the passenger facility fee and the ability to include parking and other revenue sources, we could get there or close to there. Historically speaking, this was a banner year for us. It wasn't all the way there, but looking forward, we have every opportunity to get there. Thank you for making that point.

Commissioner Brandon - With these wonderful revenues, can we talk a little bit about the local business?

Peter Dailey - Metro or PCST put together a robust LBE Outreach Program. In your packet, there is a listing of the registered LBEs that they have employed to date. Part of that responsibility is to report to us our progress as the year goes on and we will continue to monitor it.

Commissioner Brandon - I really appreciate the list but what type of business are they doing?

Peter Dailey - The prime LBE does the janitorial services for the terminal. There is photographic company that's an LBE. Marketing and brand services, special event services -- these are the ones that are hired directly by PCST. The management of PCST said that what they don't get credit for is when the vendors come in for Special Events since they're not technically paid by PCST. There probably is a large amount of LBEs that are being employed by companies not directly involved with Metro contractually. Specialty event services, janitorial services, photography, marketing/brand design services are the four companies that were listed.

Commissioner Brandon - Hopefully going forward we can list dollars or percentage of revenue to get a feeling for what they're actually doing as a local business.

Peter Dailey - Absolutely.

Commissioner Brandon - I heard that the dredging cost has increased or almost doubled. In the previous contract, they couldn't meet the LBE goal because there was no upland disposal for contaminated soil.

Peter Dailey - It's upland or contaminated soil.

Commissioner Brandon - Are there trucking opportunities?

Peter Dailey - It wasn't trucked. It was barged. Trucking was going to be the LBE opportunity but the mode to which the soil was transported did not require trucks, it required a barge.

Commissioner Brandon - How did they get the soil to the barge?

Peter Dailey - They scooped it onto the barge.

Commissioner Brandon - So it goes directly from the site.

Peter Dailey - This might be a wetlands restoration. It's like LB Railco down on the Southern Waterfront, David Gavrich's company, they get contaminated soils in ocean containers and the truckers take them to the railroad and they go to special sites. I believe that is the nuance that you're referring to.

Commissioner Brandon - It is a nuance.

Commissioner Adams - Good report Peter. I'm really glad that Commissioner Woo Ho wanted this item presented to the Commission. I'm really glad that San Francisco's Police Department, its finest, is there now. It's better for safety and things are running more fluid. I'm really glad about that.

I believe safety, people walking around, we have to be really careful. Especially when the ship's in down there and I know Kevin with Metro is in with his crew down there, the ILWU. They've got to be careful because we don't want anybody to get hurt at our terminal. It's kind of a funny thing. When things go good, we always hear about it. When things go bad, Director Moyer gets all the abuse. She gets all the nasty letters.

The terminal just opened up and it takes time. I go down there quite often and I would encourage my Commissioners to go down there more often. I show up down there all the time. I was down there recently with Peter Dailey and Kevin Wong. I had Paddy Crumlin from the Maritime Union of Australia

here and Sidonie, and he said, "Hey, this is a beautiful terminal. " And he said, "You would never, ever, other than in San Francisco, get a cruise terminal named after a union leader." He says, "Nothing like this would ever happen in Australia."

We're walking with Peter and Kevin, we gave him a tour and they had a private event going on. We're slowly building up the business. I appreciate what you guys are doing, John. It takes time but the name recognition is catching on. People are realizing that we have a jewel here on the waterfront.

In my mind, I'm giving it five years. The first couple years I'm giving it a wash. I want to know where we're going to be at in five years and we're all going to just be amazed and astonished because if we're having 27 million tourists a year to San Francisco, just think where we're going to be at in five years the way the city's growing and the people that are going to be going in and out and how that terminal is catching on.

Peter entertaining a Vice President from Carnival who's been to terminals all over the world and he says, "This is the finest terminal in North America." That's pretty good for a terminal that's not even been open a year. That's a guy that knows some business and when someone like that puts his stamp on it, you know a guy like that knows what he's talking about.

Kevin Wong runs the terminal for Metro, and I'm going make Kevin get up here and hit the mike and state his name.

Commissioner Adams - Kevin, when the terminal first opened up, there were some deals that the ILWU and Metro had to work out but you guys have been working through things and learned as you went along. On behalf of Metro, can you tell the Commission where we started, where we're at, where we're going, and the progress we've made?

Kevin Wong, Terminal Manager at Pier 27 - It's a good relationship so far that we have with the ILWU. We all work as a team. We all have a goal. We want to get the ships in on time, out on time and with good comments from passengers and crew and anybody coming down to the Port.

It's been a lot of work with Mr. Adams and ILWU leadership at the hall. We greatly appreciate it. We're all here because of them and we want to make sure they keep on coming. A great product that we're offering them is customer service and performance goes a long way. Thank you again for your help with everything and your guidance for making that a success.

Commissioner Adams – Is this something new, having a cruise ship come in and Salesforce rents it for a week? Does this indicate that our city has so much traffic that there is a shortage of hotel rooms in our city and this might be the things that we might be seeing?

I understand that this is happening in other cities across the country and Commissioner Katz raised it at one time, but is this a phenomenon that we may see more of because of the lack of hotel rooms in our city? This is a good problem to have but I wanted to hear from you guys if we'll see more of this.

Kevin Wong - Looking at it from the marine side, you place a vessel there for seven days, you have the best view, bar none out of anything in the city. The Hyatt's got nothing on what Pier 27 has with a vessel that's 12 decks high. You get up on the 12th deck, you have the best view in the city. Having Pier 27 as far as an event venue and what it can offer as far as our large Silicon Valley businesses, Salesforce, HP and all those guys, once they get out and they're able to hold a conference like this, I feel comfortable with them bringing more ships in for hotel usage. I think it's a great thing.

Peter Dailey - Commissioner, it is a real shot in the arm. Tourism in San Francisco is a leading industry and we need to be working in concert with the Hotel Council and SF Travel and other regional or local organizations to make sure that everybody's on board. Not everybody likes it because it's competition. I think if it's done correctly, everybody can benefit. When there are no hotel rooms available, we can take advantage of this new opportunity for us.

Commissioner Adams - I've talked to Director Moyer that the San Francisco Labor Council had a problem and I'm just warning you of that. They thought that it was cutting down on the hotel rooms and they were worried about the crew not being paid well, not being treated well so you may hear something. I talked to Tim Paulsen and I directed him to Director Moyer. Just know that may be coming.

What are we looking like as far as having a Port Commission meeting? I know it got cancelled, but I still think we need to have a Port Commission meeting at the new cruise terminal. I'm on board with that.

Peter Dailey - \$35,000. No, I'm joking.

Commissioner Adams - Commissioner Woo Ho, you take care of it. Chris, I hate to tell you. I just talked to President Katz. She said public comment is closed. Chris wanted to talk being from the ILWU about what was going on down there but public comment is closed so sorry about that.

Commissioner Katz - I tried to call on you.

Peter Dailey - I forgot to do something in my notes. I wanted to thank some of the Port staff by name. Elaine Forbes, who's been invaluable in putting these numbers together. Marilyn Yeh, the Maritime Administrative Manager is a Godsend. John Davey, people don't really realize how much work he's done to make this terminal a success and continue to make it a success.

Last but not least, Denise Turner and Mike Nerney. Mike Nerney goes to all these meetings. He shakes hands with all the cruise executives. They know him by name. He's really identified with San Francisco. It's been a team effort. We have a lot of work to do. We're not going to rest on our laurels.

Commissioner Woo Ho - Now that I've had a minute to reflect on some of the answers that you have provided us from the various speakers and I'm looking at the five year projection. Elaine and I will synch up on this one. It looks like the key variable here, if we want to get to a positive cash flow, I look at the net revenue loss line as more of cash flow because that's the way we record rather than net revenue loss on the general accounting principles.

The key variable here is if events can go up and dredging can come down, we can then break even on cash and that should be really the objective. Now I do notice that the dredging cost over the next few years is sort of flat. I don't know if that's realistic and obviously the challenge is to figure out how to get the dredging cost down, the event revenue up and then hopefully we don't see any earmuffs on the bottom line. That we have positive cash flow after debt service that is the real win for the day.

Elaine Forbes, Deputy Director Finance and Administration - Commissioner Woo Ho, you've summarized it perfectly. The one thing I would add is the first priority is to keep cruise strong and growing. As you know, cruise is the revenue leader in this facility. The economics align with our mission in this business because cruise brings us more revenue. Then it's special event and parking. So the next, after cruise, is to use as many available days as possible that the terminal is not used for cruise ships to book Special Events and our projections assumed about a 58% utilization rate and we're assuming that our operator can get there over time. It does take years to build both in getting those advanced bookings and also for our event operator to understand how to manage the complex and the schedule because both have similar high event seasons.

Our projections show that they manage to bring in higher utilization of Special Events starting next fiscal year and our numbers for 2015-2016 conform with what you've just heard from our operator. We are not assuming any reductions in dredging yet. We've showed you how we think we can get dredging cost down but we haven't gone through the competitive process. We haven't done our due diligence relative to bringing it in-house.

We don't have enough information today to bring down those numbers. We're showing you what dredging will cost if we don't institute any of our strategies to reduce the cost. Marilyn Yeh and I worked very hard on these numbers and just didn't feel comfortable showing you a reduction in dredging at this point.

Commissioner Woo Ho - I understand that. In fact, I'm worried that if we continue the way we have been operating dredging, those costs are going to

go up. We do want to look at ways to decrease or to make sure that these numbers don't increase. I understand it's a risk we have.

I totally agree with you that cruise ship is the first priority. It seems to me we have the most flexibility on the revenue line because the cruise numbers are fairly positive and aggressive already in the events side. What I heard though from our partners there is that the event line may be even better than what you have projected.

Elaine Forbes - They're talking about their revenues and our revenues are 50% of theirs.

Commissioner Woo Ho - Even with that, he said a million and a half. I see \$596K. So there's still some room. I'm always going to be pushing. I think the idea is that we get to a breakeven on the bottom. If we can cover our debt service, then we really have made this proposition hum.

Elaine Forbes - It would be absolutely a home run.

Commissioner Brandon – Why are the passenger fees projected to go down rather than up?

Peter Dailey – You're referencing the passenger fees from 2016-17 to 2017-18. These are very conservative numbers. The earlier ones represent the hotel ship for Dreamforce. We have one this year and one next year and that's about a \$250,000 uptick. We haven't gotten bookings for that in subsequent years so we didn't count our chickens before they were hatched.

Commissioner Brandon - Do we anticipate cruise calls going up?

Peter Dailey - Absolutely. It's a cyclical business and it's impacted by macroeconomic events on the world stage. Sustained moderate growth is what I've been telling people. People get off the ship and they don't have to take a bus. They're in the middle of Main Street right when they come off the vessel. We're very upbeat in terms of our projections.

Commissioner Adams - I wanted to remind my fellow Commissioners, we're into this project over \$100 million. Ain't no time to have cold feet now. We've got to keep going forward and we've got to see this thing through. I just want to make it clear. We've got to be strong. We've got to support the staff. I understand Commissioner Woo Ho got to make some money but we're into this for a lot of money now so hang on for the ride.

Commissioner Katz - Possibly some ways of looking at more money. First I want to thank Metro and ILWU, I know we had some hiccups. I really want to thank ILWU because without the work of ILWU, the experience of our passengers coming through would not be as stellar as it sounds like it's become. I appreciate everyone working on that and Metro as well.

Peter you'd mentioned, when we had some of the traffic problems, that was because primarily of Rideshare companies pulling over or was it taxis too?

Peter Dailey - Well, it was taxis but it was people dropping off Aunt Mable at the cruise terminal and they were stuck in traffic and they didn't want to wait to turn right into the GTA. They were pulling over into the bike lane, blocking the lane of traffic, getting all the bags out of the car. Once somebody saw one person do that, then everybody started doing it so we went down to one lane of traffic. The problem was we had curbs set, it made it relatively easy for people to do that. It's nowhere near as easy now and the SFPD are vicious right now when you try to do that.

Commissioner Katz - On that front, you mentioned SFPD, that we have seven officers that are out there when we have a cruise. My understanding is ILWU controls it from the sidewalk in essence and SFPD controls the sidewalk out to the street. A couple comments on cost savings. Perhaps, given the amount of revenue that the cruise ships generate for the rest of the city and to the tax base, maybe we could look into having a little bit more help on what appear to be increased costs now for SFPD on that side of things and/or looking at more parking control officers rather than police officers who are a bit more expensive per day.

Monique Moyer - The police officers are 10Bs. They're not dispatched by the police department. They're called up through the overtime program.

Commissioner Katz - Maybe there's a way that we could look into changing at least some of the numbers.

Monique Moyer - We're trying that. It's an interesting flux with what else might be going on in the city where Parking Control Officers are dispatched. When there are other events, particularly at the ballpark or elsewhere, it's harder to come by the Parking Control Officers and we have decided that it's worth the extra expense to make sure we have some coverage. It's a fine line and both departments are short staffed but we continue to explore it.

Commissioner Katz - Regardless of whether we use PCOs or SFPD, perhaps the city might be a little bit more generous given that we're still covering the cost of the cruise ship terminal and so much is going to the city.

Monique Moyer - We will do our best, Commissioner.

Commissioner Katz - I also know we'll get it. I understand that Ford Motor Company has now used the facility for 5 days so it's been roughly 7 days that there's not a single cruise ship that's come in the summertime?

Peter Dailey - It's a good question. There are two real busy seasons for us, spring and fall. Mainly ships going up to Alaska and ships coming down from Alaska in the spring and the fall. For the summer, we have our home ported

Golden Princess here which comes every 10 days. So in July and August we'll see a ship every 10 days but in September and October, there's a ship every day.

Commissioner Katz - That's what I was wondering how we managed to get those five days in there. There was reference to the Salesforce hotel. It looks like they were charged passenger fees? Is that how we're charging them? Is that the highest revenue? Are they also renting the space for their events too? How does that work? Can we also charge for event space given that they're probably using that?

Peter Dailey - The Port has a special item in our tariff that when you pay your \$18 per passenger fee, you get 48 hours for your \$18. Every day after that is another \$18. We have increased our fees significantly for the hotel ship. Mike Nerney has done an evaluation as to what our fees would be compared to the hotel tax.

Monique Moyer - To be clear, they're paying dockage and passenger facility fee. They're not paying rent. It's under the tariff and under the Federal Shipping Act, they cannot be assessed local taxes.

Peter Dailey - That fee gets them ingress and egress to the terminal like a passenger, but any Special Events in the terminal cost \$35,000.

Monique Moyer - But they are looking at Special Events elsewhere that also happen to be on our property.

Commissioner Katz - I guess another way of rephrasing the question is I know we're charging them their passenger fee, but is there an option given that it's not the same kind of requirement for Customs and everything else that we could also then conceivably have it used as an event space and charge separately for the use of the event space?

Peter Dailey - By a different company or by the same company?

Commissioner Katz - I guess it would be by the same company.

Peter Dailey - By all means we could do that.

Commissioner Katz - It's not like we're giving them the facility because they're paying the fee.

Peter Dailey: No. They pay to get on and off the ship. But the facility itself remains under their control and any special event, they're going to charge a surplus that we get 50% of.

Commissioner Katz - Got it. So it would behoove Salesforce to perhaps rent out the facility so their people can just roll up the gangplank.

Peter Dailey – Yes and they can charge parking, Wi Fi and a lot of different things that we get a piece of.

Commissioner Katz - I heard there was a little bit of concern or reaction with respect to the cruise ships coming in using our shore power. Have we heard any feedback on that? How successful has that been?

Peter Dailey - Successful. Generally the Golden Princess which is here 52 times in a year is fully shore power. They plug in every time they come here. I don't have the data in front of me but high success rate in terms of plugging in. Any ship that is capable of plugging in, we're ready to go.

Commissioner Katz - In terms of the costs with dredging. Given that there are so many discussions now about how to address sea level rise, it seems to me that perhaps there might be some opportunities available for some of that dredging material. For example, I think it was Hunters Point or the shipyard said that surprisingly they hadn't really planned to address sea level rise in their earlier iterations but realized that because they'd put so much fill to cover the toxic site that they actually had unwittingly addressed sea level rise by building up the site there.

It's not that we have toxic sites at Pier 70 or Mission Rock, but perhaps while they're looking at their sites and given sea level rise that maybe there are some opportunities for that dredging materials to go to those sites to help them build up and be that much better prepared for rising sea level and be a win all the way around for all of us.

Peter Dailey – Yes. That's a good question. Our consultant is actually looking at that. Something like that happened in Oakland when they had the Galbraith Golf Course, when they did their 50 foot, they took the soils and put it on their old golf course and raised it up about 50 feet. It's something we're going to look at in our options going forward.

Commissioner Katz - Great. Thank you all very much and appreciate the report.

10. NEW BUSINESS

Commissioner Woo Ho - We've all read in the newspapers about the Giants having negotiated with the Board of Supervisors and others regarding Mission Rock. I think that the Commission should hear what the impacts are to the Port. Whether it should be discussed in closed or open session, we will leave it up to your discretion.

Monique Moyer - Yes, we have that on our new business list as well.

Commissioner Adams - Director Moyer, would it be appropriate to send some questions to you and to Peter Dailey about Chevron? This item was held over and it's coming up at the next meeting. I have some questions about Chevron.

Monique Moyer – Yes, you can send them to us. One thing we have to be clear on is our role in that is simply as a regulator. We can have an offline conversation on that. I understand there was some comments about that. I don't know that there's much we can do but I'm happy to talk more.

Commissioner Adams - Okay, thank you.

Monique Moyer - I would like to remind everybody that Sunday, July 5th is the annual Bloody Thursday event, even though it's on a Sunday. Everyone is invited to come down to the Hiring Hall of the ILWU to help commemorate that very important day in our local history. It's a really great event that is held annually commemorating Bloody Thursday of 1934. I highly recommend that if you are in the neighborhood, just drop by. It's an open house format beginning at 10:00 AM and running until 2:00 with live music and lots of fun and games and really good grilled dogs, I can attest to.

11. ADJOURNMENT

ACTION: Port Commissioner Woo Ho moved approval to adjourn the meeting in memory of LeRoy King, a longtime Bay Area labor leader, civil rights advocate and former Commissioner of the San Francisco Redevelopment Agency and Port Tenant Michael Comaich, President of Diamond Freight Systems, and the nine victims of the shooting at Bethel African Methodist Episcopal Church in Charleston, South Carolina. Port Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 5:50 p.m.

